brac

2016 ANNUAL REPORT

PHILIPPINES

BUILDING A WORLD THAT WORKS FOR ALL OF US

We act as a catalyst, creating opportunities for people living in poverty to realise their potential. We specialise in piloting, perfecting and scaling innovation to impact the lives of millions. We were born in Bangladesh, are almost completely self-sustainable through our own network of social enterprises and investments, and operate in 11 countries across Asia and Africa.

Vision

A world free from all forms of exploitation and discrimination where everyone has the opportunity to realise their potential.

Mission

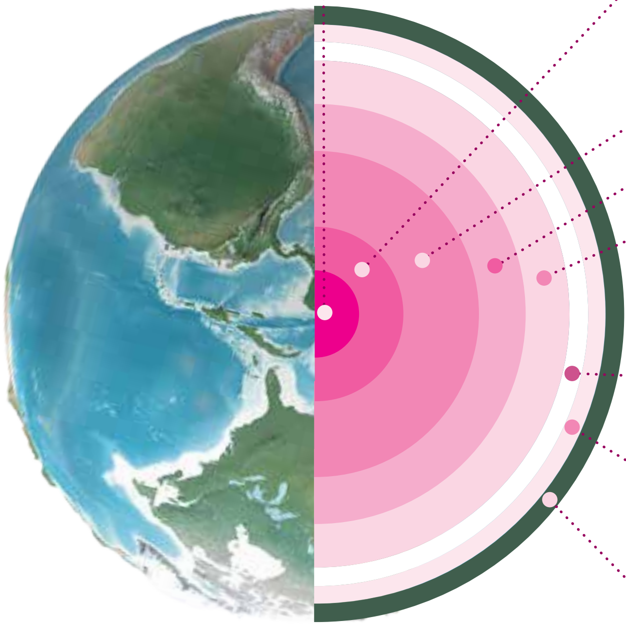
Empower people and communities in situations of poverty, illiteracy, disease and social injustice. Our interventions aim to achieve large scale, positive changes through economic and social programmes that enable women and men to realise their potential.

Values

Integrity
Innovation
Inclusiveness
Effectiveness

5-year goal

Empower 20 million of the most underserved and disenfranchised people to gain greater access to and have more control over resources, decisions and actions, **while continuing to maximise opportunities and expand services for the unmet needs of the 120 million people we already reach in Bangladesh by 2020.**



Social enterprises

Initiatives that engage individuals, micro and small enterprises as suppliers, producers and consumers. Instead of maximising profits, our 13 social enterprises focus on maximising gains in quality of life for all.

Investments

Socially responsible companies that assist us in our mission. Our network of seven investments help us strive towards the goal of self-sustainability.

BRAC University

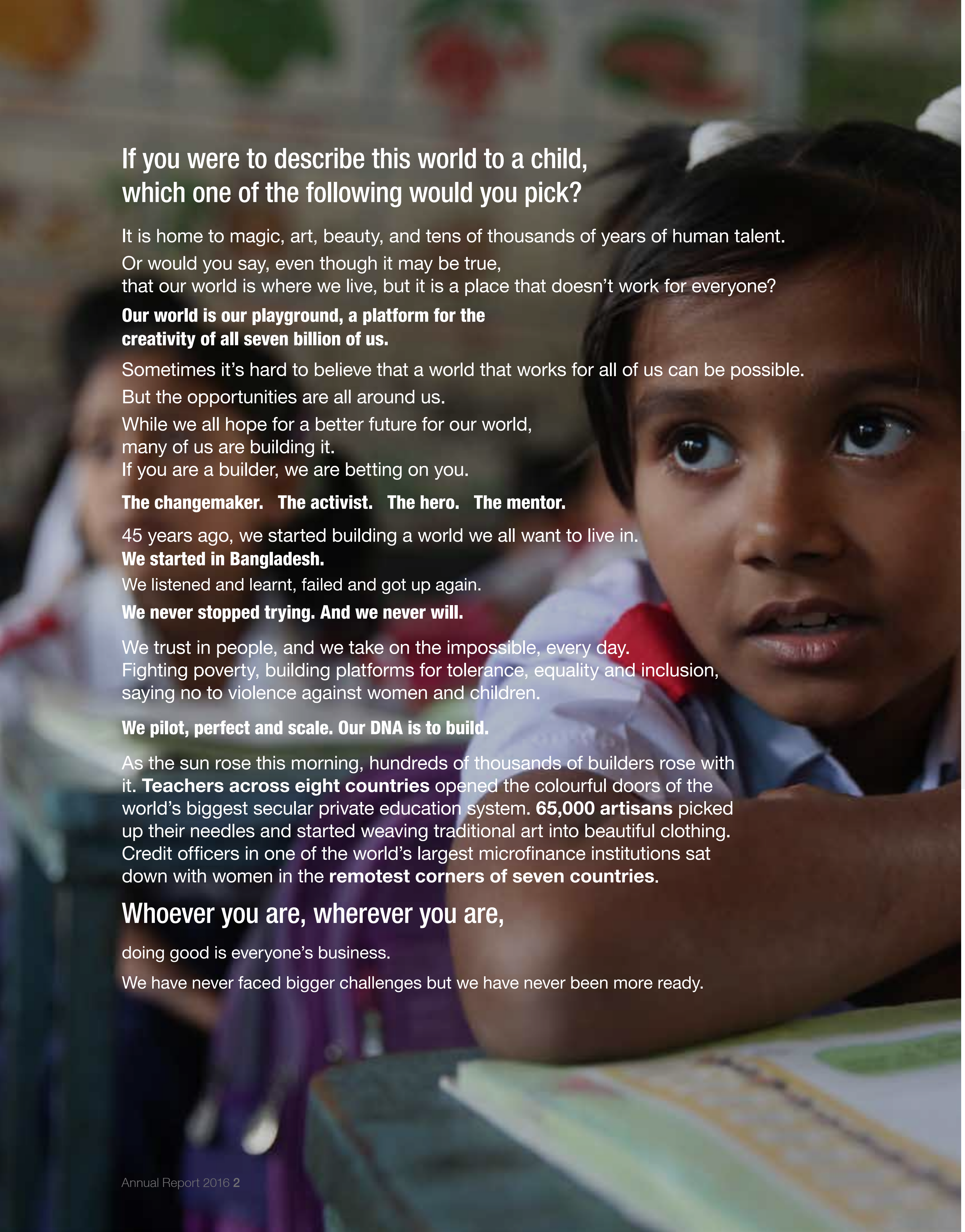
An educational institution's goal is not only to provide the highest quality teaching, but also to inculcate the values essential for tomorrow's leaders. BRAC University constantly incorporates the most current educational techniques and material. The journey starts by building a high calibre and supportive faculty and administration team who are capable of teaching the most challenging and up-to-date educational programmes, and empowering them with knowledge and life skills so that they can take on the challenges of building themselves and a better nation.

BRAC across the world

Country offices
BRAC in Bangladesh
BRAC in Afghanistan
BRAC in Pakistan
BRAC in Myanmar
BRAC in Nepal
BRAC in Philippines
BRAC in South Sudan
BRAC in Liberia
BRAC in Tanzania
BRAC in Sierra Leone
BRAC in Uganda

Affiliate offices
BRAC USA
BRAC UK

Stichting BRAC International, Netherlands



If you were to describe this world to a child, which one of the following would you pick?

It is home to magic, art, beauty, and tens of thousands of years of human talent.

Or would you say, even though it may be true,
that our world is where we live, but it is a place that doesn't work for everyone?

Our world is our playground, a platform for the creativity of all seven billion of us.

Sometimes it's hard to believe that a world that works for all of us can be possible.

But the opportunities are all around us.

While we all hope for a better future for our world,
many of us are building it.
If you are a builder, we are betting on you.

The changemaker. The activist. The hero. The mentor.

45 years ago, we started building a world we all want to live in.
We started in Bangladesh.

We listened and learnt, failed and got up again.

We never stopped trying. And we never will.

We trust in people, and we take on the impossible, every day.
Fighting poverty, building platforms for tolerance, equality and inclusion, saying no to violence against women and children.

We pilot, perfect and scale. Our DNA is to build.

As the sun rose this morning, hundreds of thousands of builders rose with it. **Teachers across eight countries** opened the colourful doors of the world's biggest secular private education system. **65,000 artisans** picked up their needles and started weaving traditional art into beautiful clothing. Credit officers in one of the world's largest microfinance institutions sat down with women in the **remotest corners of seven countries**.

Whoever you are, wherever you are,

doing good is everyone's business.

We have never faced bigger challenges but we have never been more ready.

Here at BRAC, we are many things:

social enterprise
non-government organisation
public forum
knowledge hub
social investors
policy advocates
university

and we bring together many different people:

changemakers
activists
heroes
mentors

inspired by a single vision.
Building a world that works for all of us takes all of us.
Get onboard:

share the ideas
follow the best minds
take action
support us

we are a team of the world's most dedicated staff, a dynamic board and passionate partners, standing together at the frontline of the world's biggest challenges.

Join the world's biggest family.

CONTENTS

CHAIRPERSON'S FOREWORD

We entered 2016 with 17 Sustainable Development Goals, the first of which was to end all forms of poverty by 2030. This is one of the most pressing yet exciting challenges we face today. For the first time in history we have the means to achieve this goal in the not-too-distant future.

BRAC is increasingly at the forefront of this movement. A provider and global advocate of holistic solutions to reduce poverty over the last 45 years, our ultra poor graduation model in particular is being championed as a solution to help reach the millions of households around the world that still live in extreme poverty.

Established in 2002, the ultra poor graduation approach targets households left behind by economic growth or mainstream development interventions. Our model supports them towards building sustainable livelihoods through a powerful combination of asset transfer, enterprise training, financial services, healthcare, mentoring and social integration. In Bangladesh alone our programme has put 1.77 million households on to sustained pathways out of poverty. With impacts confirmed by rigorous research both in Bangladesh and internationally, the ultra poor graduation approach has now been adapted in 59 programmes across 37 countries by other NGOs, governments and multilateral institutions.

Our work on extreme poverty also extends beyond our own programming. Our ultra poor graduation initiative comprises advocacy efforts and technical assistance on how to adapt and implement the approach effectively in different environments. With staff working across the US, UK, Bangladesh and BRAC country offices around the world, we are spearheading the movement to proliferate graduation and reach as many extreme poor households globally as possible. This year, for example, we started working with the Governments of Kenya and the Philippines to integrate the model into their poverty alleviation strategies.

Our development programmes are funded from internally-generated revenue and grants received from external sources. Our internal revenue totalled BDT 4,997 crore (USD 646 million) this year, making up 82% of our total annual revenue.

We continue to invest in a range of socially-responsible companies. This year we consolidated BRAC Bank, an institution that was founded at a time when it was almost impossible for small and medium enterprise entrepreneurs to obtain financing from the banking sector in Bangladesh. We took banking solutions to entrepreneurs, and have disbursed over USD 4.37 billion since inception. More than half of our lending today is still to small and medium enterprises.

Our home-grown solutions in education, health, microfinance and other development areas now reach 10 countries outside of Bangladesh. This year we continued our expansion in Nepal, moving from the relief we provided after the 2015 earthquake into education and health. We have also launched a five-year strategy for Africa which will take us into five new countries by 2020.

We have never faced bigger challenges but I truly believe that, as a global community, we have never been more equipped, more connected or more ready to face them. I am filled with a genuine feeling of hope as we look ahead into 2017. I look forward to sharing the journey with you.

Sir Fazle Hasan Abed, KCMG
Founder and Chairperson

LETTER FROM THE EXECUTIVE DIRECTOR

It is my pleasure to share our Annual Report with you. At BRAC International, we believe we are One BRAC, working with a unified goal to achieve large-scale, positive impact through our economic and social programmes around the world.

I am happy to say that we have accomplished much in 2016. We opened 31 new microfinance branches. Liberia and Sierra Leone are now operationally sustainable, and there is surplus in five out of six countries. We partnered with the government of Liberia to improve learning outcomes. Our initiatives in health, agriculture and livestock have inspired people to receive training and offer support to others in their own communities. We are implementing BRAC's ultra-poor graduation programme in Uganda and Pakistan, and hope to expand our reach to lift more people out of poverty.

Despite our accomplishments, we faced several challenges in 2016. We witnessed significant paradigm changes with traditional donor countries reassessing their foreign aid. We faced unexpected crises like the civil war in South Sudan that compelled us to scale down our projects and restrict our work to Juba. The challenges only bring us closer in our efforts to building a better world for all.

At BRAC, we believe that young people today will be our strength tomorrow, and technology is the language of the future. We are capacitating the youth by providing them with training and access to finance. We are exploring web-based monitoring and management system and the use of mobile money. Our priority is to adapt with changing times, build on our accomplishments and work even harder and smarter in 2017.

BRAC was ranked #1 by Geneva-based NGO Advisor in a list of world's best 500 NGOs because of our impact, innovation, and sustainability. We must maintain our effectiveness and ensure the quality of our work. At BRAC, we know it is the people that make us #1. I urge you all to stay with us as you have over the years. I thank our board members and country advisory councils for their guidance, as well as all members of the BRAC family around the world for their support and hard work.

I look forward to continuing our work together with renewed energy and hope, with the same dream that unites us all - a world free of exploitation and discrimination, and a better future for all.

Faruque Ahmed
Executive Director
BRAC International

MESSAGE FROM THE COUNTRY REPRESENTATIVE

We, at BRAC in Philippines, operate in the Autonomous Region in Muslim Mindanao (ARMM) which had the most people living in poverty in Philippines, at 59% of the population in 2015. Almost a third of the residents are living in extreme poverty. ARMM's per capita spending on vital services such as education, is the lowest in the country.

Less investment in education might be one of the reasons why students score relatively poor in comparison with other regions on standardised achievement tests administered throughout the country.

Since we started operations in Philippines in 2012, we have brought significant changes to the education sector in ARMM. We provide access to education to over 60,000 disadvantaged children across the region, 3,000 of whom belong to Badjao, Sama and T'duray, the poorest tribes in ARMM. We also extend opportunities to children with special needs to enable them to have access to the same quality of education.

The courage and commitment displayed by our monitors, coordinators, organisers and teachers in serving the underprivileged areas albeit security issues earned many notable rewards. We reached the remotest areas to pave the way for the government to bring services like health and other social facilities. Our learners scored a 72.62% mean percentage score in the national assessment test, despite the huge challenges they face. The dedication shown promoting education also led 37 of our non-professional teaching facilitators to succeed in the 2016 Licensure Examination for Teachers. These successes brought significant impact to the lives of the people we work with, especially children.

We prioritise the future of children through multiple approaches. We want to strengthen the access of health, livelihood and poverty alleviation services, not only in ARMM, but in other areas of the country, where assistance is most needed. Let us work together to help everyone in Philippines to realise their aspirations.

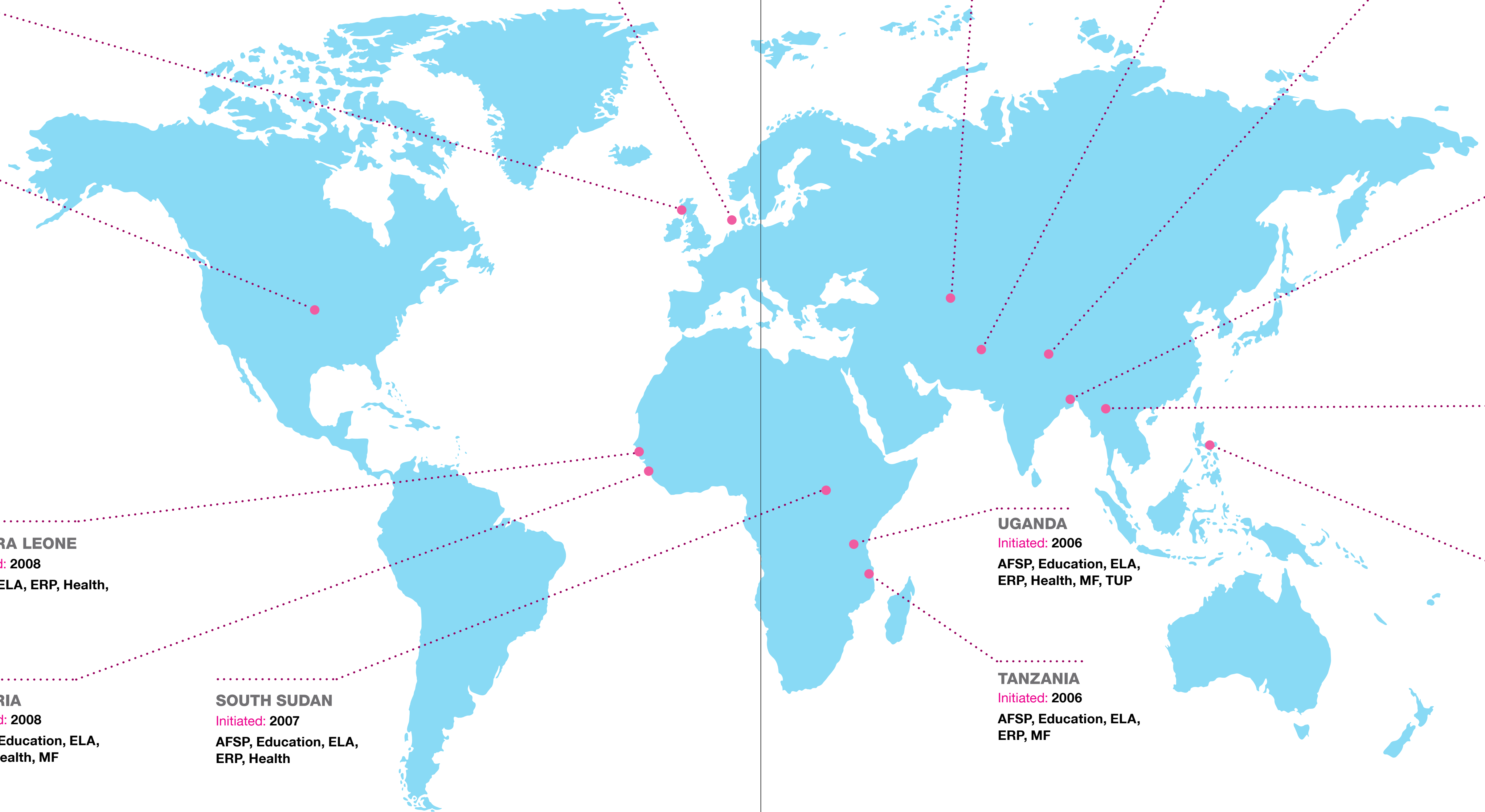
Nazrul Islam
Country Representative
BRAC in Philippines

BRAC ACROSS THE WORLD

NETHERLANDS
Initiated: 2009
Stichting BRAC International registered as a foundation

UK
Initiated: 2006
An independent charity to raise profile and funds for BRAC globally

USA
Initiated: 2007
An independent charity to raise profile and funds for BRAC globally



SIERRA LEONE
Initiated: 2008
AFSP, ELA, ERP, Health, MF

LIBERIA
Initiated: 2008
AFSP, Education, ELA, ERP, Health, MF

SOUTH SUDAN
Initiated: 2007
AFSP, Education, ELA, ERP, Health

AFGHANISTAN
Initiated: 2002
AFSP, Education, CDP, ERP, Health, NSP

PAKISTAN
Initiated: 2007
Education, ERP, MF, Health, TUP

NEPAL
Initiated: 2015
ERP, ELA, Health, WASH

BANGLADESH
Initiated: 1972
AFSP, BEP, CEP, DMCC, GJD, HNPP, HRLS, IDP, MF, MG, SDP, TUP, UDP, WASH

MYANMAR
Initiated: 2013
ERP, MF

UGANDA
Initiated: 2006
AFSP, Education, ELA, ERP, Health, MF, TUP

PHILIPPINES
Initiated: 2012
Education

TANZANIA
Initiated: 2006
AFSP, Education, ELA, ERP, MF

AFSP: Agriculture and Food Security Programme
BEP: BRAC Education Programme
CDP: Capacity Development Programme
CEP: Community Empowerment Programme
DMCC: Disaster, Management and Climate Change
ELA: Empowerment and Livelihood for Adolescents
ERP: Emergency Response Programme
GJD: Gender Justice and Diversity
HNPP: Health, Nutrition and Population Programme
HRLS: Human Rights and Legal Aid Services
IDP: Integrated Development Programme
MF: Microfinance
MG: Migration
SDP: Skills Development Programme
TUP: Targeting the Ultra Poor
UDP: Urban Development Programme
WASH: Water, Sanitation and Hygiene

SCORECARD

76,122
CHILDREN RECEIVED EDUCATION FROM BRAC COMMUNITY–BASED SCHOOLS
AFGHANISTAN

86,975
HOUSEHOLDS GRADUATED FROM EXTREME POVERTY
BANGLADESH

40,517
PEOPLE REACHED THROUGH NUTRITION–AWARENESS CAMPAIGNS
LIBERIA

38,270
CLIENTS RECIEVED A TOTAL OF $11.7 MILLION IN MICROLOANS
MYANMAR

750
EARTHQUAKE–AFFECTED VICTIMS RECEIVED MEDICAL CARE
NEPAL

56,327
CLIENTS RECEIVED A TOTAL OF $24.5 MILLION IN LOANS
PAKISTAN

21,639
RECEIVED EDUCATION FROM 730 BRAC LEARNING CENTERS
PHILIPPINES

100
URBAN HEALTH PROMOTERS PROVIDED SEXUAL & REPRODUCTIVE HEALTH SERVICES TO ADOLESCENTS IN 10 SLUMS OF FREETOWN
SIERRA LEONE

167,452
PATIENTS RECEIVED ANTI–MALARIAL MEDICATION
SOUTH SUDAN

106,460
FARMERS AND POULTRY REARERS ORGANIZED IN 8,021 GROUPS
TANZANIA

49,093
ELA GIRLS LEARNED FROM 1,096 MENTORS
UGANDA

COUNTLESS STORIES TO TELL...

EDUCATION

We established our presence in Philippines in 2012, through the alternative delivery model project to provide education to children living in poverty in the Autonomous Region in Muslim Mindanao (ARMM). We set up learning centres in partnership with 15 local NGOs, to improve access to, and the quality of kindergarten and elementary education particularly in areas with limited or no access to government schools.

WHAT WE DO

We follow the government's kindergarten to grade 12 curriculum, for both kindergarten and elementary schools. The curriculum and instructional materials are contextualised to the sociocultural conditions that the predominantly Muslim children in ARMM live in.

Our learning centres use formative and summative evaluation procedures. Grades 3 and 6 learners take the Language Assessment for Primary Grades/English Language, Literacy and Numeracy Assessment, and National Achievement Test, respectively.

The Department of Education provides recognition and admits students who have completed our learning centres into public elementary or secondary schools. All our learning centres and learners are now in the Department of Education's Enhanced Basic Education Information System, and are registered in their systems for future follow-ups.

HIGHLIGHTS

Operating 845 learning centres in five provinces of the Autonomous Region in Muslim Mindanao

Operating 7 floating schools in the three island provinces of Sulu, Basilan and Tawi–Tawi, catering Badjao and Sama children

21,639 children have access to the alternative mode of education

A total of 1,197 teachers, coordinators and organisers received capacity–building trainings

11,420 Grade 3 learners participated in the nationwide language assessment for primary grades conducted by the Department of Education

Equipped 550 learning centres with hand washing and tooth brushing facilities

WHEN DISABILITY IS AN ABILITY

He can't walk well. He can't talk well.

But he starts his day at 7:30 in the morning and ends at 4 in the afternoon. With dreams to be like his welder father when he grows old, 11-year-old Adzmar Hajiran is eager to come to class every day to learn his numbers and alphabets, despite the difficulty to move and engage in conversations. His house is more than half a kilometre away, but his mobility impairment does not hinder him from coming to school. His teacher, Armishra Abdilla says that Adzmar is only absent from school during rainy days when it becomes too slippery to walk. Every other day he is always the first to arrive.

Adzmar started grade 1 in Pag-asa BRAC Learning Centre and will complete his elementary education in 2018. His favourite subject is mathematics. When testing his skills, Adzmar effortlessly and perfectly answers multiplication problems in triple digits. Armishra attests to Adzmar's prowess in mathematics. He does not enjoy Filipino though, because it takes time to write.

Homework comes easy for Adzmar. He rarely asks for help from his older siblings. During weekends, if not accompanying his father to the shop, he plays with his younger siblings.

Adzmar is suffering from cerebral palsy, a disorder that affects muscle tone, movement and motor skills. But his fervour to discover and understand things push him to endure the pain in his feet as he walks to school everyday.

We are committed to ensuring that children like Adzmar get a fair chance at learning and pursuing their dreams.

A NEW MISSION

Sittie Halda Saradi is confident that when her learners finally transfer to public schools by the end of the alternative delivery model project, they will perform at par with other students, if not better.

Sittie Halda is a woman of deep dedication. When she joined BRAC's learning centre in Maimbung, Sulu, her daughter was battling brain tumour. It became difficult to manage her time tending to her daughter and attending her class, but Sittie Halda never gave up, not even when her daughter passed away in 2013. Her daughter inspired her to come to school every day and provide other children with the learning she wished her daughter could have enjoyed.

Tausug people have difficulty pronouncing words with "r" and "l". This is one of the things Sittie Halda takes pride in. Her learners can pronounce these words without difficulty, after extensive efforts to teach them proper pronunciation of English and Filipino words. For Sittie Halda, her students are like her own children.

Working for BRAC and the children of Sulu, Sittie Halda feels largely changed. She said she was a very shy person but her regular training with BRAC also trained her to be friendly and more open to express her thoughts. The monthly training not only gave her the chance to learn, but also to grow in her career.

She thinks of BRAC as a 'rizki', a blessing. She says that she has become more confident as a person, and her work has brought education and peace in her community. She is proud that she became an instrument for the next generation of her fellow Tausug community to learn how to read and write. She is now at ease knowing that her learners will not have difficulty adjusting to government schools because she knows she gave her best.

I am BRAC

I started working at BRAC in 2012 as a project organiser. It was the same year that it also began operating in five provinces of the Autonomous Region in Muslim Mindanao (ARMM).

I am now a project coordinator in Tawi-Tawi under Mahardika Institute of Technology. Being LGBT, I was afraid of taking on bigger responsibilities because of what other people would say about me. My role as a project coordinator was difficult and I almost gave up. However, BRAC did not let me quit. My colleagues stood by me and convinced me that my sexual orientation should not affect my work. As a lesbian, I am thankful to BRAC because today I feel empowered. I can now stand strong, and am confident in what I do. I have grown a lot during my time here. I passed a significant milestone in my life when I passed the Licensure Examination for Teachers.

I started noticing a change while working for the children of Tawi-Tawi, who face many challenges, and are often discriminated. Everybody, especially their parents now understand the value of education. The learners themselves are teaching their parents how to read and write. I felt accomplished in my tasks once I saw that.

I want to thank BRAC for the extensive trainings and orientation I received that built my knowledge and developed my confidence. My family is happy with the change in my attitude.

I can proudly say that I am BRAC because I want people to be able to realise their potential, and that is what BRAC does. For me, **I am BRAC** because BRAC sees education as one of the most powerful investments in life.

Surhayda Alibasa
BRAC Philippines

GOVERNANCE AND MANAGEMENT

BRAC INTERNATIONAL

BRAC International is registered as Stichting BRAC International in the Netherlands.

GOVERNING BODY

Stichting BRAC International has a constitution under the laws of the Netherlands and was governed by a 10-member board of directors. In line with the rising fiscal requirements and public expectations in the Netherlands, the board decided to adopt a two-tier governance structure, with a management board and a supervisory board.

On 8 December 2016, on its 31st meeting, the Stichting BRAC International governing board adopted the following amendments to the Constitution of Stichting BRAC International which came into effect from 28 December 2016:
The present governing board becomes the supervisory board of Stichting BRAC International.

The supervisory board appointed the management board of Stichting BRAC International comprising 1) Executive Director, BRAC International, 2) Director Finance, BRAC International and 3) a maximum of three BRAC International programme directors.

The composition of the supervisory board of Stichting BRAC International is as follows:

Chairperson:
Sir Fazle Hasan Abed, KCMG

Members:
Ahmed Mushtaque Raza Chowdhury
Dr Muhammad Musa
Sylvia Borren
Dr Debapriyo Bhattacharya
Shabana Azmi
Shafiqul Hassan (Quais)
Parveen Mahmud
Irene Zubaida Khan
Fawzia Rashid

BRAC INTERNATIONAL HOLDINGS BV

BRAC International Holdings BV is a wholly owned subsidiary of Stichting BRAC International and was incorporated in 2010. BRAC International's microfinance programmes, social enterprises and investment companies are consolidated under this wing.
The social programmes currently supporting the enterprises include seed production and training centres.

BRAC International Holdings BV has the role to consolidate the financial results of all country operations in six countries. The consolidated financial statements include the financial data of the stand-alone parent organisation, its group companies and other legal entities over which the foundation has control.

On 8 December 2016, on the 31st general meeting of the shareholder of BRAC International Holdings BV, the Stichting BRAC International Governing Board adopted the amendments to the Articles of Association of BRAC International Holdings BV.

The following came into effect from 28 December 2016:

The present board of directors, with the exception of Hans Eskes becomes the supervisory board of BRAC International Holdings BV.

A two-member management board is formed with one Bangladeshi and one Dutch national.

The composition of the present supervisory board of BRAC International Holdings BV is as follows:

Chairperson:
Sir Fazle Hasan Abed, KCMG

Members:
Sylvia Borren
Dr Muhammad Musa
Parveen Mahmud

The composition of the management board of BRAC International Holdings BV is as follows:

Managing Director:
Faruque Ahmed

Director:
Hans Eskes

Details about the roles of the supervisory board and management board are available in the Deed of Incorporation of Stichting BRAC International and BRAC International Holdings BV.

FINANCE AND AUDIT COMMITTEE

Composition of the present finance and audit committee is as follows:

Parveen Mahmud, Chair
Dr Muhammad Musa, Member
Sylvia Borren, Member
Faruque Ahmed, Member
Hans Eskes, Member
SN Kairy, Secretary of the Committee

The primary function of the finance and audit committee is to assist the governing board in fulfilling its responsibilities on the:

- Financial reporting and budgeting processes
- System of internal controls and risk assessment
- Compliance with legal and regulatory requirements
- Qualifications, independence, and performance of the external auditors
- Qualifications, independence, and performance of the internal audit function

LOCAL BOARDS

Each country entity has a local board. We pursue microfinance and development activities through separate entities in countries where it is required. The local board members are appointed by Stichting BRAC International's board. The business of the local entities is managed by these local boards. Further details of the roles of the local board are available in the respective incorporation documents of these entities.

ADVISORY COUNCIL

In 2015, BI decided to form advisory councils to strengthen governance, support advocacy at the national level and enhance credibility.

The council members, who are country nationals, provide the country leadership with advice and support on standards and policies, and the development and implementation of programmes. They advise on key external developments and trends nationally, and promote BRAC's mission through effective and strategic working relationships with key stakeholders and civil society partners in the countries. They also support information sharing and relevant advocacy on behalf of BRAC.

ACCOUNTABILITY AND TRANSPARENCY

The internal audit department conducts periodical audits at all our cost centres on a sample basis. Audits take place at least once a year and twice or more in locations and on programmes where a closer watch is warranted. In addition, special investigations are conducted in case of fraud or irregularities that may be detected. A 'whistle blower' policy is in place and HR takes actions as and when required.

External audit of Stichting BRAC International, BRAC International Holdings BV and all of our legal entities are undertaken annually. Financial transparency is ensured by BRAC International's finance and accounts division, which prepares financial statements following the International Financial Reporting Standards and the laws of relevant countries.

The summary of all audits and investigations are submitted to the audit and finance committee on a half yearly basis.

BRAC IN PHILIPPINES

GOVERNANCE

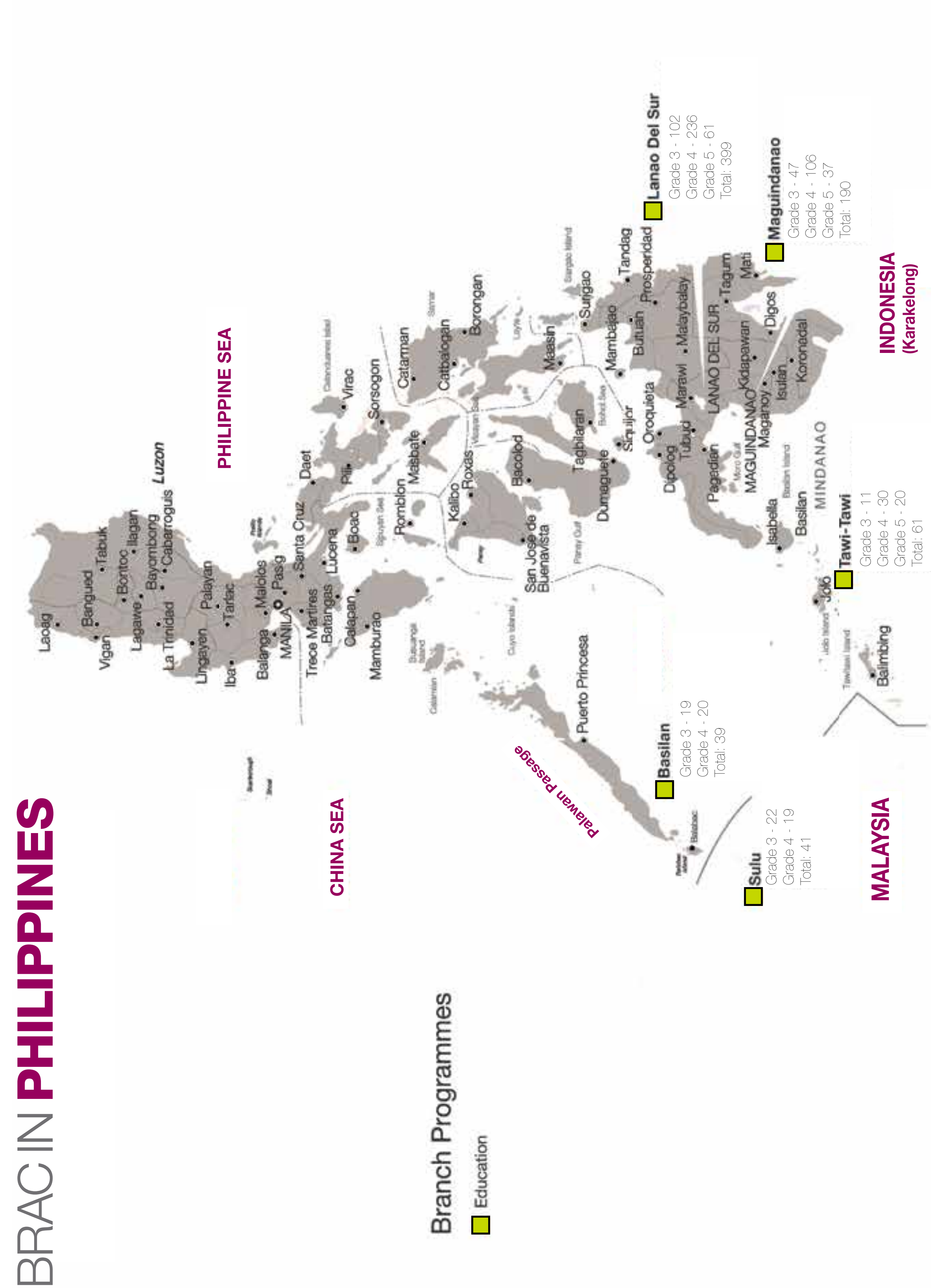
Local Board Members

Faruque Ahmed
S N Kairy
Dr Safiqul Islam

MANAGEMENT

Dr M Nazrul Islam - Country Representative
Md Ibrahim Khalil - Programme Manager, Education
Md Humayun Kabir - Head of Accounts
Md Parvez Shahriar Talukdar - Head of Internal Audit
Dr Norma Gomez - Head of MIS, Monitoring and Research
Jovelyn Alferez - Senior Manager, Planning and Communications
Christopher Gamao - Manager, Admin and Human Resource
Janifa Bangcola - Deputy Manager, Curriculum and Training

DEVELOPMENT PARTNERS

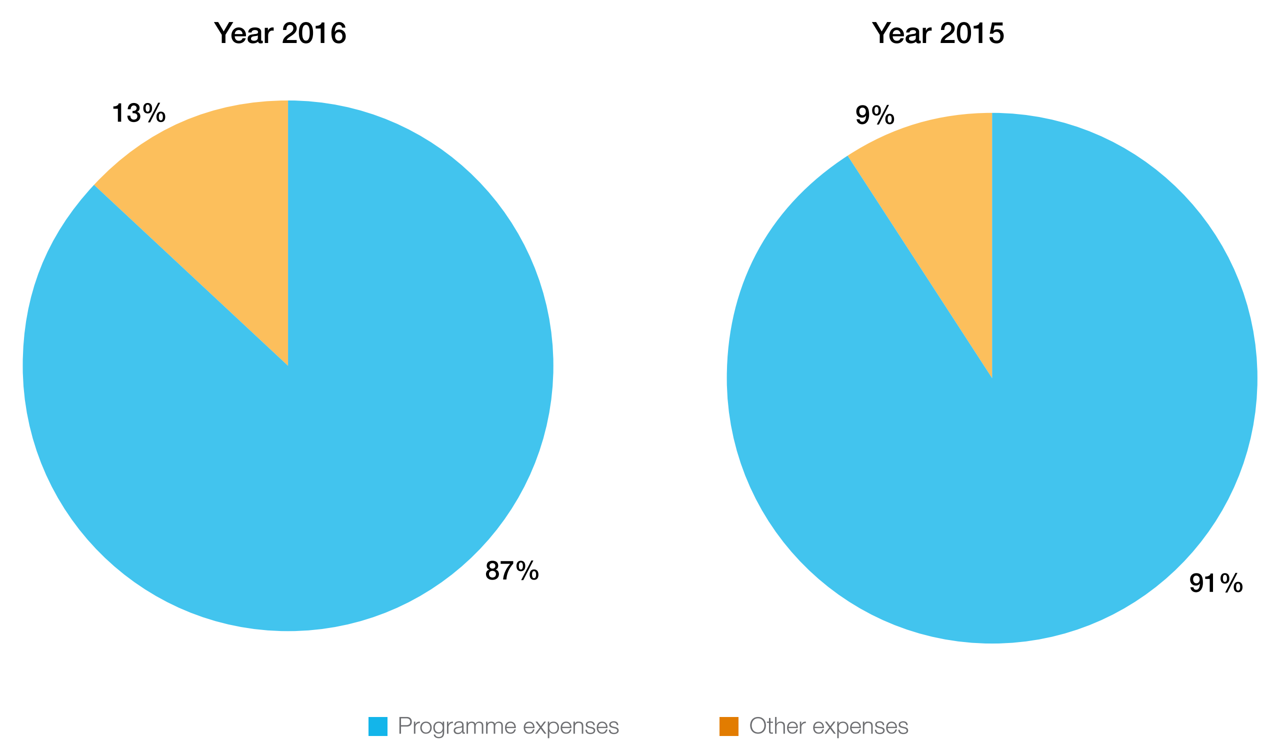


FINANCIALS

BRAC in Philippines completed its 5th year of operation in 2016 by receiving grants amounting to USD 4,040,290 (AUD 5,379,880) compared to USD 4,333,153 (AUD 6,105,866) in 2015. Out of total expenses, project expenses were USD 4,444,564 (USD 6,128,495 in 2015) and 87% (91% in 2015) of the total cost.

PROGRAMME COST

Expenses	Year 2016		Year 2015	
	USD	%	USD	%
Programme Expenses	4,444,564	87%	6,128,495	91%
Other Expenses	662,373	13%	632,437	9%
Total	5,106,937		6,760,932	



PERFORMANCE REVIEW

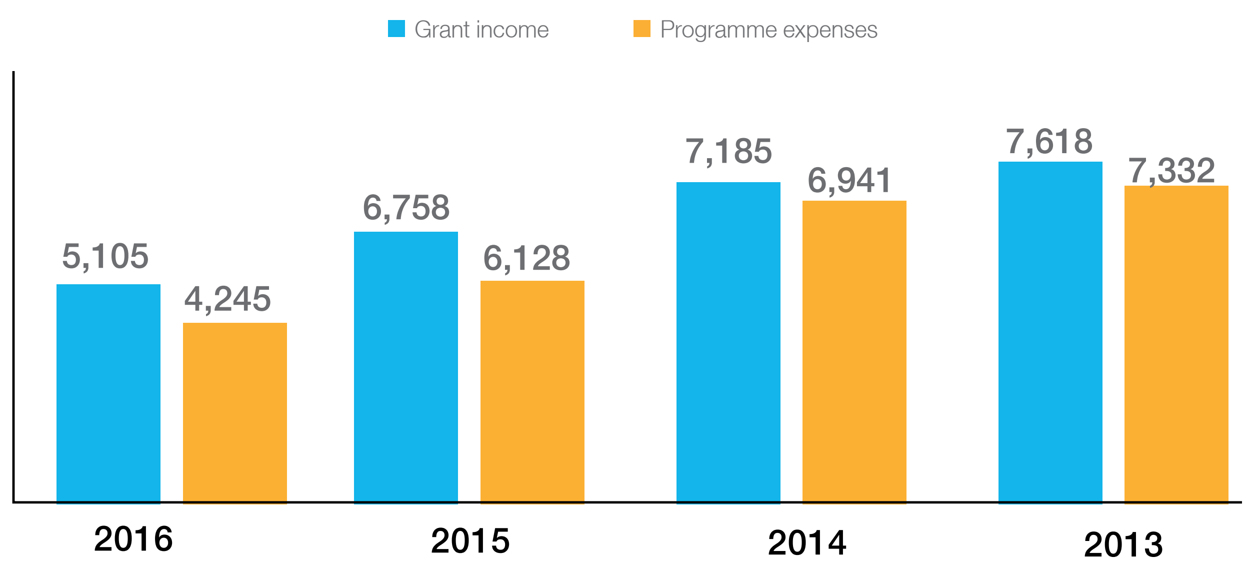
Income Statement	Year 2016	Year 2015	Year 2014	Year 2013
	USD	USD	USD	USD
Grant Income	5,105,196	6,758,161	7,185,235	7,618,483
Other Income	1,741	2,771	4,932	3,680
Programme Expenses	4,244,564	6,128,495	6,940,887	7,332,406
Other Expenses	862,373	632,437	249,280	289,757

FINANCIAL POSITION

Balance Sheet	Year 2016	Year 2015	Year 2014	Year 2013
	USD	USD	USD	USD
Cash at Bank	5,088,966	6,628,206	8,466,983	10,147,817

ANNUAL INCOME AND EXPENSES

in Thousands USD



STICHTING BRAC INTERNATIONAL, INC.

(Incorporated in Netherlands)
PHILIPPINES BRANCH
(A Nonstock, Nonprofit Organization)

FINANCIAL STATEMENTS
December 31, 2016 and 2015

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Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Stichting BRAC International, Inc. - Philippine Branch
No. 1 R. Mañara Street
Rosary Heights 10
Cotabato City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Stichting BRAC International, Inc. - Philippine Branch (the "Branch"), which comprise the statements of assets and liabilities as at December 31, 2016 and 2015, and the statements of income and expenses and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the statements of assets and liabilities of the Branch as at December 31, 2016 and 2015, and its statements of income and expenses and its statements of cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Branch in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Branch's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Branch's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Branch to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 14 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

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Partner
CPA License No. 108798
SEC Accreditation No. 1574-A, Group A, valid until August 11, 2019
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BIR Accreditation No. 08-001987-35-2015
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PTR No. 5904949MD
Issued January 3, 2017 at Makati City.

March 20, 2017
Makati City, Metro Manila

STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

STATEMENTS OF ASSETS AND LIABILITIES

	Note	December 31 2016	2015
ASSETS			
Current Assets			
Cash	*4, 5*	**P253,481,404**	P312,652,476
Other current assets	*6*	**2,716,853**	2,755,906
Total Current Assets		**256,198,257**	315,408,382
Noncurrent Assets			
Property and equipment - net	*7*	**3,889,130**	6,682,334
Refundable deposits	*4, 13*	**355,850**	375,850
Total Noncurrent Assets		**4,244,980**	7,058,184
		P260,443,237	P322,466,566
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	*4, 8*	**P7,118,495**	P6,483,362
Deferred grant income	*9*	**253,324,742**	315,983,204
Total Current Liabilities		**P260,443,237**	P322,466,566

See Notes to the Financial Statements.

Shib Narayan Kairy, Group CFO
BRAC and BRAC International

STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

STATEMENTS OF INCOME AND EXPENSES

	Note	Years Ended December 31 2016	2015
INCOME			
Grants	*9*	**P254,289,788**	P318,782,474
Interest income	*5*	**86,694**	81,690
Other income		-	49,000
		254,376,482	318,913,164
PROJECT EXPENSES			
Learning facilitators allowances		**75,913,583**	82,520,082
Partner non-government organizations (NGO) employee benefits		**27,168,371**	29,262,473
School supplies		**27,096,639**	87,675,873
Salaries and employee benefits		**21,823,068**	20,914,498
Training and orientation		**13,884,322**	16,906,215
Transportation and travel		**11,483,148**	13,640,816
Rent	13	**10,964,618**	6,987,836
Evaluation activity		**4,432,937**	10,131,870
Office utilities		**4,277,929**	5,711,904
Taxes and licenses		**22,307**	9,482
Production and development		-	1,365,404
Others	*10*	**19,333,742**	12,707,822
		216,400,664	287,834,275
OTHER NONCASH EXPENSES (INCOME)			
Foreign exchange gains	*4*	**(7,772,173)**	(1,543,686)
Depreciation	*7*	**2,793,204**	2,790,503
		(4,978,969)	1,246,817
GENERAL AND ADMINISTRATIVE EXPENSES	*11*	**42,954,787**	29,832,072
		254,376,482	318,913,164
NET EXCESS OF INCOME OVER EXPENSES		**P -**	P -

See Notes to the Financial Statements.

Shib Narayan Kairy, Group CFO
BRAC and BRAC International

STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net excess of income over expenses		**P -**	P -
Adjustments for:			
Depreciation	*7*	**2,793,204**	2,790,503
Interest income	*5*	**(86,694)**	(81,690)
Excess of income over expenses before working capital changes		**2,706,510**	2,708,813
Decrease in:			
Other current assets	*6*	**39,053**	46,557,203
Refundable deposits		**20,000**	-
Increase (decrease) in:			
Accounts payable and accrued expenses		**635,133**	1,928,017
Deferred grant income	*9*	**(62,658,462)**	(116,250,896)
Cash used in operations		**(59,257,766)**	(65,056,863)
Interest received		**86,694**	81,690
Net cash used in operating activities		**(59,171,072)**	(64,975,173)
CASH FLOWS FROM AN INVESTING ACTIVITY			
Additions to property and equipment	*7*	-	(143,738)
NET DECREASE IN CASH		**(59,171,072)**	(65,118,911)
CASH AT BEGINNING OF YEAR	*5*	**312,652,476**	377,771,387
CASH AT END OF YEAR	*5*	**P253,481,404**	P312,652,476

See Notes to the Financial Statements.

STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS

1. Branch Information

Stichting BRAC International, Inc. (the "Head Office"), a foundation registered under the laws of The Netherlands, was granted by the Philippine Securities and Exchange Commission (SEC) a license to transact business in the Philippines (the "Branch") on January 25, 2012 to manage the implementation of education assistance projects in Mindanao as part of the then Australian Agency for International Development (AusAID) program, which subsequently changed its name to Department of Foreign Affairs and Trade (DFAT) - Australian Aid Program. The Branch implements the "Alternative Delivery Model (ADM) Project" of the Basic Education Assistance for Mindanao in the Autonomous Region in Muslim Mindanao (BEAM-ARMM) with an objective of improving access to quality pre-school and elementary education, particularly in communities without access to or which have difficulty in accessing government schools.

The Branch's management and implementation of the ADM Project of the BEAM-ARMM has the following components:

Component 1: Curriculum, Materials and Assessment Development
This component involves reviewing the Department of Education's (DepEd) standard curriculum for both pre-school and the six-year elementary education to develop a mechanism and instructional plan for enhanced delivery, identification of appropriate teaching and learning materials for both pre-school and elementary education and the mechanism and tools to monitor and measure student learning and inform how the program delivery could be improved.

Component 2: Community Learning Center Operations
This component involves the establishment and operation of Community Learning Centers (CLCs) in identified priority barangays (villages). The CLCs implement the curriculum for both pre-school and elementary education targeting primarily the out-of-school children in barangays without schools and in areas with large number of out-of-school children.

Component 3: Capacity Building
This component develops the capacity of key stakeholders to manage and sustain the implementation of an alternative delivery model for basic education. The key activities under this component include core resource group training in Bangladesh for senior managers of DepEd Central and ARMM, trainings and workshops for specialized trainers, curriculum writers, project officers and coordinators, learning facilitators and specialized training courses for educators on curriculum materials development, assessment and instructional supervision.

Component 4: Project Management, Monitoring and Evaluation
This component includes the establishment, staffing and operations of the project management unit and provincial offices. In addition, this component performs the general coordination and supervision of CLCs, monitoring and evaluation, policy support and coordination for scale-up to other regions and conducts research and impact evaluations and policy advocacies.

The Branch, in its letter to International Tax Affairs Division of the Bureau of International Revenue dated May 10, 2013, has requestedfor confirmation of the tax exemption privileges of the BEAM-ARMM Program pursuant to Section 30 of the Tax Reform Act of 1997 (R.A 8424). As at December 31, 2016, the Branch has not received confirmation of the said tax exemption.

The registered office of the Branch, which is also its principal place of business, is located at House No. 1 R. Mañara Street, Rosary Heights 10, Cotabato City.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS is based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consists of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations.

The accompanying financial statements were approved and authorized for issue by the Board of Directors on March 20, 2017.

Basis of Measurement
The Branch's financial statements have been prepared under the historical cost basis of accounting.

Functional and Presentation Currency
The financial statements are presented in Philippine peso, which is the Branch's functional currency. All financial information expressed in Philippine peso has been rounded off to the nearest peso, except when otherwise indicated.

Use of Estimates and Judgments
The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. However, uncertainty about these judgments, estimates and assumptions could result in outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments
In the process of applying the Branch's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Branch, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the cost of implementing the project.

Operating Lease - Branch as Lessee
The Branch has entered into lease agreements as lessee. The Branch determined that all significant risks and rewards of ownership of the properties leased from third parties are retained by the lessors under operating lease agreements.

Rent expense charged to operations amounted to P10,964,618 and P6,987,836 in 2016 and 2015, respectively (see Note 13).

Estimates and Assumptions
The Branch reviews key assumptions concerning the future and other key sources of estimation and uncertainty at reporting date that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

As at December 31, 2016 and 2015, the Branch has evaluated that there were no key estimates and assumptions used in the preparation of the financial statements.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

Financial Instruments
Date of Recognition. The Branch recognizes a financial asset or financial liability in the statements of assets and liabilities when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as at FVPL, include transaction costs.

The Branch classifies its financial assets in the following categories: held-to-maturity (HTM) investments, AFS financial assets, financial assets at FVPL and loans and receivables. The Branch classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the financial assets are acquired and financial liabilities are incurred whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Branch has no AFS financial assets, HTM investments and financial assets and liabilities at FVPL.

Financial Assets
Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities and are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of "Interest income" account in the statements of income and expenses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" account in the statements of income and expenses. Gains or losses are recognized in profit or loss when loans and receivables are derecognized and impaired.

Cash represents cash in bank and is stated at its face value, and earns interest at the respective bank deposit rates.

The Branch's cash and refundable deposits as at December 31, 2016 and 2015 are classified as loans and receivables (see Note 4).

Financial Liabilities
Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial recognition, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

The Branch's accounts payable and accrued expenses (excluding statutory liabilities to government agencies) are classified under this category.

Derecognition of Financial Assets and Financial Liabilities
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset expired;
- the Branch retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Branch has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

  When the Branch has transferred its rights to receive cash flows from a financial asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Branch's continuing involvement in the financial asset.

Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Branch could be required to pay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of assets and liabilities if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented on a gross basis in the statements of assets and liabilities.

Impairment of Financial Assets

The Branch assesses at each reporting date whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Assets Carried at Amortized Cost. For financial assets carried at amortized cost such as loans and receivables, the Branch first assesses whether an impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Branch includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The impairment loss for the year is recognized in profit or loss. If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Other Current Assets

Other current assets which consist of learning materials and classroom supplies for distribution to CLCs are valued at the lower of cost and net realizable value (NRV). NRV of books and school supplies pertains to the current replacement cost. Cost, which includes all cost attributable to acquisition, is determined using the first-in, first-out method.

Property and Equipment

Items of property and equipment are initially measured at cost. After initial recognition, all items of property and equipment are measured at cost less accumulated depreciation, and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Branch, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statements of income and expenses as incurred.

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value, if any. Depreciation is recognized in the statements of income and expenses on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, or the remaining term of the ADM Project, whichever is shorter.

The estimated useful life of each item of property and equipment is as follows:

	Number of Years
Office furniture and equipment	3 - 5
Transportation equipment	5

If there is an indication that there has been a significant change in the depreciation method, useful life or residual value of an asset, the depreciation of that asset is reviewed and adjusted prospectively if appropriate.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized on a net basis in the statements of income and expenses.

Impairment of Non-financial Assets

The carrying amounts of the Branch's nonfinancial assets such as property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

An impairment loss is recognized in the statements of income and expenses whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. The recoverable amount of a non-financial asset is the greater of the asset's fair value less costs to sell and its value in use.

The fair value less costs to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. Value in use is the present value of the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of the useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in the statements of income and expenses.

Recognition of Grants

Grants received from Commonwealth of Australia, as represented by DFAT are initially recognized as deferred income and are then recognized as income to the extent of the expenses incurred for the year as set in the conditions associated with the grant. Assets acquired thru the grant are also recognized as deferred income and are recognized as income on a systematic basis over the useful life of the asset or duration of the ADM Project, whichever is shorter.

Interest Income
Interest income, presented net of applicable tax withheld by the banks, is recognized when earned.

Expense Recognition
Costs and expenses are recognized upon receipt of goods, utilization of services or at the date these are incurred.

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

Operating Lease
Leases which do not transfer to the Branch substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statements of income and expenses on a straight-line basis over the lease term unless other systematic basis is more representative of the time pattern of the Branch's benefit.

Foreign Currency Transactions
Transactions denominated in foreign currencies are recorded in Philippine peso using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated in Philippine peso using the exchange rate prevailing at the reporting date.

Exchange rate differences arising from the settlement of monetary items at rates different from those at which they were initially recorded and translated at reporting date are recognized in the statements of income and expenses in the year in which they arise.

Provisions
Provisions are recognized when the Branch has a legal or constructive obligation as a result of a past events, it is probable that an outflow of economic benefits will be required to settle the obligation and reliable estimate of the amount can be made.

Contingencies
Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events that provide additional information about the Branch's statements of assets and liabilities at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

New or Revised Standards, Amendments to Standards and Interpretations
Adopted as of January 1, 2016
A number of new or revised standards, amendments to standards and interpretation are effective as of January 1, 2016 and are required to be adopted by the Branch. While these have been adopted as of January 1, 2016, none of these have a significant impact on the Branch's financial statements.

To be Adopted in the Future
A number of new or revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016. These will be adopted by the Branch as these become effective. None of these are expected to have a significant impact on the Branch's financial statements.

4. Financial Risk Management

Objectives and Policies
The Branch has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Branch's exposure to each of the above risks, the Branch's objectives, policies and processes for measuring and managing such risks, and the Branch's management of capital. Further quantitative disclosures are included throughout the notes to the financial statements.

The main purpose of the Branch's dealings in financial instruments is to fund its operations and capital expenditures.

The Governing Body of the Head Office of the Branch has overall responsibility for the establishment and oversight of the Branch's risk management framework. The Governing Body has established the Audit Committee, which is responsible for developing and monitoring the Branch's risk management policies.

The Audit committee identifies all issues affecting the operations of the Branch and reports regularly to the Governing Body on its activities. The Branch's risk management policies are established to identify and analyze the risks faced by the Branch, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Branch's activities.

Mitigating strategies and procedures are devised to address the risks that inevitably occur so as not to affect the Branch's operations and impact forecasted results.

The Branch, through its training on and management of standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Country Representative performs oversight over financial management functions, specifically in the areas of managing credit, market and other risks of the Branch. The Country Representative directly interfaces with the internal audit function, which undertakes reviews of risk management controls and procedures and ensures the integrity of internal control activities which affect the financial management system of the Branch.

Credit Risk
The results of procedures performed by the Country Representative are reported to the Audit Committee. The Country Representative reviews and institutes policies for managing each of the risks and they are summarized below.

The maximum exposure to credit risk for the Branch's financial assets as at December 31 is presented below:

	Note	**2016**	2015
Cash in banks	5	**P253,329,759**	P312,495,336
Refundable deposits	13	**355,850**	375,850
		P253,685,609	P312,871,186

Below is the classification of the Branch's financial assets that are neither past-due nor impaired:

2016	High Grade	Standard Grade	Total
Cash in banks	P253,329,759	P -	P253,329,759
Refundable deposits	355,850	-	355,850
	P253,685,609	P -	P253,685,609

2015	High Grade	Standard Grade	Total
Cash in bank	P312,495,336	P -	P312,495,336
Refundable deposits	375,850	-	375,850
	P312,871,186	P -	P312,871,186

High grade quality financial assets are those assessed as having minimal credit risk since these were assessed as having no instances of payment default. Standard grade refer to accounts of satisfactory financial capability and credit standing but with some element of risks where certain measure of control is necessary in order to mitigate risk of default.

The credit qualities of financial assets were determined as follows:

- Cash in banks is considered high grade as these pertains to deposits in reputable banks.

- Refundable deposits are considered high grade as these pertain to deposits that are covered by the lease agreements. Having minimal credit risk since these were assessed as having no instances of payment default.

The Branch's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Branch's credit risk is concentrated on its cash in banks for the years ended December 31, 2016 and 2015. The Branch's management performs an assessment of its external environment, including the related risks and limitations, and selects the Branch's depository banks based on factors such as reputation in the market place, and compliance with regulations, among others.

Liquidity Risk
Liquidity risk pertains to the risk that the Branch will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Branch's objectives to manage its liquidity risk are as follows: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed at the least possible cost.

The table below summarizes the maturity profile of the Branch's financial liabilities based on contractual undiscounted payments used for liquidity management:

	As at December 31, 2016			
	Carrying Amount	Contractual Cash Flow	1 Year or Less	1 Year - 5 Years
Financial Liabilities*				
Accounts payable and accrued expenses	P6,911,124	P6,911,124	P6,911,124	P -

*Excluding statutory payables.

	As at December 31, 2015			
	Carrying Amount	Contractual Cash Flow	1 Year or Less	1 Year - 5 Years
Financial Liabilities*				
Accounts payable and accrued expenses	P6,298,820	P6,298,820	P6,298,820	P -

*Excluding statutory payables.

Market Risk
Market risk is the risk that changes in foreign exchange rates which affect the Branch's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign Currency Risk
The Branch is exposed to foreign currency risk on monetary asset and liability held in currencies other than the Philippine peso, the Branch ensures that its exposure is kept to an acceptable level by maintaining regular savings deposits in US dollar and Australian dollar, and buying foreign currencies at spot rates where necessary to address short-term imbalances.

The Branch's foreign currency-denominated assets and liabilities as at December 31 are as follows:

2016	Current Assets	Current Liabilities	Net Foreign Currency Exposure	Exchange Rate	PHP Equivalent
Currency					
USD	3,090,813	73,318	3,017,495	49.72	P150,029,851

2015	Current Assets	Current Liabilities	Net Foreign Currency Exposure	Exchange Rate	PHP Equivalent
Currency					
USD	238,797	109,026	129,771	47.06	P6,107,023
AUD	140	-	140	34.27	4,798
					P6,111,821

The Branch recognized foreign exchange gains of P7,772,173 and P1,543,686 in 2016 and 2015, respectively.

Sensitivity Analysis
A 6% strengthening of the Philippine peso against USD as at December 31, 2016 would have increased foreign exchange gains by P8,480,225. A 5% strengthening of the Philippine peso against USD and AUD as at December 31, 2015 would have increased foreign exchange gains by P319,296.

A weakening of the Philippine peso against the USD and AUD by the same percentage as above as at December 31, 2016 and 2015 would have had equal but opposite effect on the basis that all other variables remain constant.

Percentage of the analysis is based on the change in Philippine peso against USD exchange rate used during the year and previous year.

Fair Values
The carrying value of cash approximates its fair value, since it can be readily withdrawn and used for operations at any time. The fair value of the refundable deposits approximates its carrying amount since it can be reasonably be collected on their due dates.

5. Cash

This account consists of:

	Note	**2016**	2015
Cash on hand		**P151,645**	P157,140
Cash in banks	4	**253,329,759**	312,495,336
		P253,481,404	P312,652,476

Cash in banks earns annual interest at the respective bank deposit rates.

Interest income earned from cash in banks in 2016 and 2015 amounted to P86,694 and P81,690 respectively.

6. Other Current Assets

This account consists of:

	2016	2015
Advances to non-government organizations (NGO) partners and Branch employees	**P2,652,521**	P2,455,493
Other assets	**64,332**	300,413
	P2,716,853	P2,755,906

Advances to NGO partners and Branch employees represent advances given by the Branch which exceeded amounts liquidated as of December 31, 2016. These are expected to be applied against expenses for the next quarter.

Other assets consist of learning materials and classroom supplies which are for distribution to CLCs.

7. Property and Equipment

The movements and balances of this account are as follows:

	Office Furniture and Equipment	**Transportation Equipment**	**Total**
Cost			
January 1, 2015	P4,786,290	P10,074,800	P14,861,090
Additions	143,738	-	143,738
December 31, 2015	4,930,028	10,074,800	15,004,828
December 31, 2016	**4,930,028**	**10,074,800**	**15,004,828**
Accumulated Depreciation			
January 1, 2015	1,465,599	4,066,392	5,531,991
Depreciation	775,542	2,014,961	2,790,503
December 31, 2015	2,241,141	6,081,353	8,322,494
Depreciation	778,243	2,014,961	2,793,204
December 31, 2016	**3,019,384**	**8,096,314**	**11,115,698**
Carrying Amount			
December 31, 2015	P2,688,887	P3,993,447	P6,682,334
December 31, 2016	**P1,910,644**	**P1,978,486**	**P3,889,130**

8. Accounts Payable and Accrued Expenses

This account consists of:

	Note	2016	2015
Payroll-related payable		P2,532,642	P862,640
Payable to Stichting BRAC International	12	2,406,325	2,295,750
Payable to BRAC Bangladesh	12	1,245,659	2,978,405
Accrued expenses		517,020	276,640
Payable to NGO partners		321,360	6,982
Withholding tax payable		95,489	62,945
		P7,118,495	P6,483,362

Payables to BRAC Bangladesh and Stichting BRAC International pertain to reimbursements for expenses incurred in providing management and technical support to the Branch.

Payable to NGO partners pertain to the excess of the costs incurred for projects over the fund provided by the Branch.

9. Grant Agreement

A Grant Agreement between the Commonwealth of Australia, as represented by then AusAID and Stichting BRAC International, Inc. was executed on February 3, 2012 covering the ADM project for the BEAM-ARMM. This Grant Agreement was effective until June 30, 2015.

In accordance with the provisions of the Grant Agreement, the Branch received from AusAID a grant of AUD30,500,000 for the management and implementation of the ADM project which was given in four (4) tranches as follows:

- the first tranche amounting to AUD7,000,000 was given within thirty (30) days from the date of the agreement;
- the second tranche amounting to AUD7,700,000 was given in August 2012;
- the third tranche amounting to AUD9,000,000 was given in August 2013; and
- the fourth and final tranche amounting to AUD6,800,000 was given in August 2014.

The schedule of tranches is subject to the terms and conditions as stipulated in the Grant Agreement.

In March 2015, the Amendment of the Grant Agreement ("Amendment") was executed by DFAT which extended the period covered by the Grant Agreement until June 30, 2017. As part of the Amendment, additional two (2) tranches were included amounting to AUD6,105,866 for each tranche. The first tranche was given in September 2015 and the remaining tranche will be given on August 2016. As a result of the Amendment, the new total amount of the grant is AUD42,711,732 from the previous amount of AUD30,500,000. Another amendment on December 29, 2015 was done resulting to the reduction of the remaining tranche which was received on September 2016 amounting to AUD5,379,880. As a result of the Amendment, the total amount of the grant received was AUD41,985,746 from the previous amount of AUD42,711,732.

In March 2017, the Branch was able to obtain a one (1) year extension(until June 2018) for the Grant Agreement subject to the following conditions:

- the operational budget for the additional year will be taken from the unspent funds.
- the remaining unspent funds will be returned by the Branch to DFAT.

- the extension will focus on ensuring the transition of the children to DepEd managed schools.
- monitoring and supervision of the learning centers will be done jointly by the Branch and DepEd.

As of December 31, 2016 and 2015, grant received by the Branch from DFAT/AusAID which has not yet been utilized in the implementation of the ADM Project amounts to P253,324,742 and P315,983,204, respectively.

10. Project Expenses

Project expenses incurred per cost component for the years ended December 31, 2016 and 2015, respectively, are presented below:

Description	2016	2015
Component 1: Curriculum, Materials and Assessment Development	P -	P1,365,404
Component 2: Community Learning Center Operations	173,584,753	244,789,474
Component 3: Capacity Building	2,019,629	2,802,781
Component 4: Project Management, Monitoring and Evaluation	40,796,282	38,876,616
	P216,400,664	P287,834,275

The Branch entered into various agreements with local NGOs. As provided under the terms of these agreements, the NGOs will manage the operation of the CLCs in their designated provinces in ARMM. As at December 31, 2016, the Branch, together with its 15 duly recognized local NGOs, implemented and managed the ADM Project for 730 CLCs (845 CLCs as at December 31, 2015).

The Branch disburses funds to its local partner NGOs on a quarterly basis for the management and operations of the CLCs in their designated areas and provinces. The partner NGOs will liquidate the funds received for the expenses incurred in accordance with the agreement.

As at December 31, 2016 and 2015, the disbursed funds to local partner NGOs which are not yet liquidated are as follows:

Description	2016	2015
Community and Family Services International	P960,166	P552,703
Maranao People Development Center, Inc	349,848	265,118
Notre Dame University	214,509	146,123
Kapagawida Development Services Association, Inc.	138,919	196,271
Integrated Resource Development for Tri-People	133,499	97,123
Integrated Learning for Moslems and Highlanders Foundations	112,592	117,571
Nagdilaab Foundation Inc.	104,457	32,882
Sug Educators Forum Incorporated	96,777	138,352
Kalimudan Sa Ranao Foundation, Inc.	93,895	250,222
Mindanao Autonomous College Foundation Inc.	62,857	88,131
Concerned Alliance of Professional and Students Inc.	57,809	63,540
Tapukan Farmers Multipurpose Cooperative	51,083	84,774
Muslim Upliftment Foundation of Tawi-Tawi, Inc.	44,334	96,386
Mahardika Institute of Technology, Inc.	41,136	21,348
Social Services for Grassroots Community Development, Inc.	24,016	-
	P2,485,897	P2,150,544

Other project expenses during the year include:

	2016	2015
Service charge overhead costs	P8,775,573	P9,303,376
Innovation cost	7,211,959	16,999
Provincial office administrative expenses	3,190,741	3,179,733
Insurance	155,469	207,714
	P19,333,742	P12,707,822

Service charge overhead costs are general and administrative expenses incurred by the Partner NGOs.

Innovation cost refers mainly to the cost of accounting software which were charged by the Head Office.

11. General and Administrative Expenses

This account consists of:

	Note	2016	2015
Technical support	*12*	P40,644,255	P26,716,957
Security measurement management		908,988	888,883
Outside services		638,247	1,109,279
Transportation and travel		331,133	178,312
Utilities		102,524	276,176
Support services		29,998	46,943
Training		-	16,509
Others		299,642	599,013
		P42,954,787	P29,832,072

12. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

In the implementation of the ADM project, the Branch has transactions with its related parties as at 2016 and 2015 as follows:

a. Technical support pertains to reimbursements to BRAC Bangladesh and the Head Office for expenses paid for in providing administration and financial management assistance to the Branch. It also entails sending support personnel to the Branch for the efficient and effective management and implementation of the ADM Project in accordance with the provisions of the Grant Agreement.

Related Party/Transaction	Ref	Year	Amount of the Transaction	Outstanding Balance Due to Related Parties	Terms and Conditions
Head Office					
• Technical support	12a	2016	P39,563,659	P2,406,325	30 days; non-
		2015	16,581,340	2,295,750	interest bearing; unsecured
BRAC Bangladesh					
• Technical support	12a	2016	7,784,928	1,245,659	30 days; non-
		2015	11,001,162	2,978,405	interest bearing; unsecured
		2016		P3,651,984	
		2015		P5,274,155	

b. Compensation and other short-term benefits of key management personnel amounted to P7,822,283 and P8,548,276 as at December 31, 2016 and 2015, respectively.

The Branch has no receivable from related parties as at December 31, 2016 and 2015.

13. Lease Commitments

On March 5, 2012, the Branch entered into a lease agreement for a parcel of land located at No. 1 R. Mañara Street, Rosary

Heights 10, Cotabato City with two (2) residential buildings, two (2) stories with an annex one room office and a guard house, with concrete perimeter fence. The lease was renewed for a fixed period of three (3) years beginning March 1, 2015 to February 28, 2018, renewable thereafter upon mutual agreement of both parties.

The Branch also entered into other lease agreements as follows: a) one (1) year renewable lease contract commencing in June 2012 for a two-story apartment at Celdran Village, Iligan City. The lease was renewed on August 1, 2015, for another two (2) years. The lease was terminated on December 31, 2016; b) two (2) years renewable lease expiring in 2015 for the Branch's two (2) new office premises in Upi Maguindanao and Zamboanga City. Lease contracts expiring in 2015 were renewed for another two (2) years; c) one (1) year renewable lease expiring in 2016 for the Branch's office premise in Davao City. The lease was renewed on August 26, 2016, for another one (1) year; and d) six (6) months lease contract commencing in December 15, 2016 for a residential apartment at Tubod, Iligan City. All these lease agreements require a refundable deposit.

Refundable deposits amounted to P355,850 and P375,850 as at December 31, 2016 and 2015, respectively.

The future rental payables for these lease agreements are as follows:

	2016	2015
Within one year	**P1,451,400**	P1,955,624
After one year but not more than five years	**160,000**	1,463,364
	P1,611,400	P3,418,988

Rent expense amounted to P10,964,618 and P6,987,836 in 2016 and 2015, respectively.

14. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the notes to financial statements which were prepared in accordance with PFRS. The following is the tax information required by Revenue Regulations No. 15-2010 for the taxable year ended December 31, 2016:

The Branch reported and/or paid the following types of taxes in 2016:

A.Withholding Taxes

Tax on compensation and benefits	**P795,294**
Final withholding taxes	**579,291**
	P1,374,585

B.All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under Project Expenses	
Licenses and permits	**P22,307**

C. Deficiency Tax Assessments

As at December 31, 2016, the Branch has no deficiency tax assessment.

D. Tax Cases

As at December 31, 2016, the Branch has no pending tax court cases nor has received tax assessment notices from the BIR.

The Branch is a non-VAT registered entity not engaged in the sale of goods or service. All of its receipts, excluding interest income from banks, come from grants which were not charged with output VAT. The input tax incurred in all of its costs and expenses were charged to operations.

Information on the amount of custom duties and tariff fees, excise taxes and documentary stamp taxes paid or accrued are not applicable since the Branch did not enter into transactions that resulted in payment or accrual of such taxes.

STICHTING BRAC INTERNATIONAL, INC.

(Incorporated in Netherlands)
PHILIPPINES BRANCH
(A Nonstock, Nonprofit Organization)

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

December 31, 2016
(TRANSLATED TO U.S. DOLLARS USING CLOSING RATE AT REPORTING DATE)

R.G. Manabat & Co.
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March 20, 2017

The Board of Directors and Stockholders
Stichting BRAC International, Inc. - Philippine Branch
No. 1 R. Mañara Street
Rosary Heights 10
Cotabato City

Attention: Mr. Shib Narayan Kairy, Group CFO BRAC and BRAC International

Gentlemen:

We have audited in accordance with Philippine Standards on Auditing, the financial statements of the Philippine Branch Office of Stichting BRAC International, Inc. (a nonstock, nonprofit organization) as at December 31, 2016 and 2015, and have issued our report thereon dated March 20, 2016. Such financial statements have been presented in Philippine peso, being the Branch's functional currency.

In reference to your request, we are pleased to submit the accompanying financial statements containing supplementary information using the U.S. dollars as the presentation currency.

Please note that the said financial statements are intended solely as supplementary information for the use of the Board of Directors of the Head Office of the Branch and the Management of the Philippine Branch Office of Stichting BRAC International, Inc. and are not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

Vernilo G. Yu
Partner

STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

SUPPLEMENTARY INFORMATION TO THE
STATEMENTS OF ASSETS AND LIABILITIES
(TRANSLATED TO U.S. DOLLARS USING CLOSING RATE AT REPORTING DATE)

		December 31	
	Note	**2016**	2015
ASSETS			
Current Assets			
Cash	*4, 5*	**$5,088,966**	$6,628,206
Other current assets	*6*	**54,544**	58,425
Total Current Assets		**5,143,510**	6,686,631
Noncurrent Assets			
Property and equipment - net	*7*	**78,080**	141,665
Refundable deposits	*4, 13*	**7,144**	7,968
Total Noncurrent Assets		**85,224**	149,633
		$5,228,734	$6,836,264
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*4, 8*	**$142,913**	$137,447
Deferred grant income	*9*	**5,085,821**	6,698,817
Total Current Liabilities		**$5,228,734**	$6,836,264

See Notes to the Financial Statements.

Shib Narayan Kairy, Group CFO
BRAC and BRAC International

STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH

(A Nonstock, Nonprofit Organization)

SUPPLEMENTARY INFORMATION TO THE
STATEMENTS OF INCOME AND EXPENSES
(TRANSLATED TO U.S. DOLLARS USING CLOSING RATE AT REPORTING DATE)

		Years Ended December 31	
	Note	**2016**	2015
INCOME			
Grants	*9*	**$5,105,196**	$6,758,161
Interest income	*5*	**1,741**	1,732
Other income		**-**	1,039
		5,106,937	6,760,932
PROJECT EXPENSES			
Learning facilitators allowances	*14*	**1,524,063**	1,749,419
Partner non-government organizations (NGO) employee benefits	*14*	**545,440**	620,362
School supplies		**544,000**	1,858,721
Salaries and employee benefits	*14*	**438,126**	443,386
Training and orientation		**278,746**	358,410
Transportation and travel		**230,539**	289,184
Rent	13	**220,129**	148,142
Evaluation activity		**88,997**	214,795
Office utilities		**85,885**	121,092
Taxes and licenses		**448**	201
Production and development		**-**	28,946
Others	*10*	**388,150**	269,405
		4,344,523	6,102,063
OTHER NONCASH EXPENSES (INCOME)			
Foreign exchange gains	*4*	**(156,036)**	(32,726)
Depreciation	*7*	**56,077**	59,158
		(99,959)	26,432
GENERAL AND ADMINISTRATIVE EXPENSES	*11*	**862,373**	632,437
		5,106,937	6,760,932
NET EXCESS OF INCOME OVER EXPENSES		**$ -**	$ -

See Notes to the Financial Statements.

Shib Narayan Kairy, Group CFO
BRAC and BRAC International

STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)
SUPPLEMENTARY INFORMATION TO THE
STATEMENTS OF CASH FLOWS
(TRANSLATED TO U.S. DOLLARS USING CLOSING RATE AT REPORTING DATE)

		Years Ended December 31	
	Note	**2016**	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net excess of income over expenses		**$ -**	$ -
Adjustments for:			
Depreciation	*7*	**56,077**	59,158
Interest income	*5*	**(1,741)**	(1,732)
Excess of income over expenses before working capital changes		**54,336**	57,426
Decrease in:			
Other current assets	*6*	**3,881**	1,046,829
Refundable deposits		**824**	-
Increase (decrease) in:			
Accounts payable and accrued expenses		**5,466**	35,348
Deferred grant income	*9*	**(1,612,996)**	(2,988,838)
Cash used in operations		**(1,548,489)**	(1,849,235)
Interest received		**1,741**	1,732
Net cash used in operating activities		**(1,546,748)**	(1,847,503)
CASH FLOWS FROM AN INVESTING ACTIVITY			
Additions to property and equipment	*7*	-	(3,047)
NET DECREASE IN CASH		**(1,546,748)**	(1,850,550)
CASH AT BEGINNING OF YEAR	*5*	**6,628,206**	8,466,983
Adjustment*	*7*	**7,508**	11,773
CASH AT END OF YEAR	*5*	**$5,088,966**	$6,628,206

**Adjustment to translate beginning balance of "Property and equipment" and "Refundable deposit" account*
See Notes to the Financial Statements.

STICHTING BRAC INTERNATIONAL, INC. - PHILIPPINE BRANCH
(A Nonstock, Nonprofit Organization)
SUPPLEMENTARY INFORMATION TO THE
NOTES TO FINANCIAL STATEMENTS
(WITH AMOUNTS TRANSLATED TO U.S. DOLLARS USING
CLOSING RATE AT REPORTING DATE)

1. Branch Information

Stichting BRAC International, Inc. (the "Head Office"), a foundation registered under the laws of The Netherlands, was granted by the Philippine Securities and Exchange Commission (SEC) a license to transact business in the Philippines (the "Branch") on January 25, 2012 to manage the implementation of education assistance projects in Mindanao as part of the then Australian Agency for International Development (AusAID) program, which subsequently changed its name to Department of Foreign Affairs and Trade (DFAT) - Australian Aid Program. The Branch implements the "Alternative Delivery Model (ADM) Project" of the Basic Education Assistance for Mindanao in the Autonomous Region in Muslim Mindanao (BEAM-ARMM) with an objective of improving access to quality pre-school and elementary education, particularly in communities without access to or which have difficulty in accessing government schools.

The Branch's management and implementation of the ADM Project of the BEAM-ARMM has the following components:

Component 1: Curriculum, Materials and Assessment Development
This component involves reviewing the Department of Education's (DepEd) standard curriculum for both pre-school and the six-year elementary education to develop a mechanism and instructional plan for enhanced delivery, identification of appropriate teaching and learning materials for both pre-school and elementary education and the mechanism and tools to monitor and measure student learning and inform how the program delivery could be improved.

Component 2: Community Learning Center Operations
This component involves the establishment and operation of Community Learning Centers (CLCs) in identified priority barangays (villages). The CLCs implements the curriculum for both pre-school and elementary education targeting primarily the out-of-school children in barangays without schools and in areas with large number of out-of-school children.

Component 3: Capacity Building
This component develops the capacity of key stakeholders to manage and sustain the implementation of an alternative delivery model for basic education. The key activities under this component include core resource group training in Bangladesh for senior managers of DepED Central and ARMM, trainings and workshops for specialized trainers, curriculum writers, project officers and coordinators, learning facilitators and specialized training courses for educators on curriculum materials development, assessment and instructional supervision.

Component 4: Project Management, Monitoring and Evaluation
This component includes the establishment, staffing and operations of the project management unit and provincial offices. In addition, this component performs the general coordination and supervision of CLCs, monitoring and evaluation, policy support and coordination for scale-up to other regions and conducts research and impact evaluations and policy advocacies.

The Branch, in its letter to International Tax Affairs Division of the Bureau of International Revenue dated May 10, 2013, has requested for confirmation of the tax exemption privileges of the BEAM-ARMM Program pursuant to Section 30 of the Tax Reform Act of 1997 (R.A 8424). As at December 31, 2016, the Branch has not received confirmation of the said tax exemption.

The registered office of the Branch, which is also its principal place of business, is located at House No. 1 R. Mañara Street, Rosary Heights 10, Cotabato City.

2. Basis of Preparation

Statement of Compliance
The financial statements, which are the basis of this supplementary information, have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). However, the supplementary information displays financial information from the financial statements which are translated using the closing rate for Philippine peso to U.S. dollar as of reporting date. PFRS is based on

International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consists of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations.

The accompanying financial statements were approved and authorized for issue by the Board of Directors on March 20, 2017.

Basis of Measurement
The Branch's financial statements have been prepared under the historical cost basis of accounting.

Functional Currency
The Branch's functional currency is Philippine peso. However, these supplementary information to the financial statements were prepared by translating all financial information to U.S. dollar using the closing rate of Bangko Sentral ng Pilipinas as at December 31, 2016 and 2015 and has been rounded off to the nearest U.S. dollar, except when otherwise indicated. These supplemental information to the financial statements were prepared solely for the use of management.

Use of Estimates and Judgments
The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. However, uncertainty about these judgments, estimates and assumptions could result in outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments
In the process of applying the Branch's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Branch, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the cost of implementing the project.

Operating Lease - Branch as Lessee
The Branch has entered into lease agreements as lessee. The Branch determined that all significant risks and rewards of ownership of the properties leased from third parties are retained by the lessors under operating lease agreements.

Rent expense charged to operations amounted to $220,129 and $148,142 in 2016 and 2015, respectively (see Note 13).

Estimates and Assumptions
The Branch reviews key assumptions concerning the future and other key sources of estimation and uncertainty at reporting date that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

As at December 31, 2016 and 2015, the Branch has evaluated that there were no key estimates and assumptions used in the preparation of the financial statements.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

Financial Instruments
Date of Recognition. The Branch recognizes a financial asset or financial liability in the statements of assets and liabilities when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as at FVPL, include transaction costs.

The Branch classifies its financial assets in the following categories: held-to-maturity (HTM) investments, AFS financial assets, financial assets at FVPL and loans and receivables. The Branch classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the financial assets are acquired and financial liabilities are incurred whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Branch has no AFS financial assets, HTM investments and financial assets and liabilities at FVPL.

Financial Assets
Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities and are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of "Interest income" account in the statements of income and expenses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" account in the statements of income and expenses. Gains or losses are recognized in profit or loss when loans and receivables are derecognized and impaired.

Cash represents cash in bank and is stated at its face value, and earns interest at the respective bank deposit rates.

The Branch's cash and refundable deposits as at December 31, 2016 and 2015 are classified as loans and receivables (see Note 4).

Financial Liabilities
Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial recognition, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

The Branch's accounts payable and accrued expenses (excluding statutory liabilities to government agencies) are classified under this category.

Derecognition of Financial Assets and Financial Liabilities
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

• the right to receive cash flows from the asset expired;

• the Branch retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or

• the Branch has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Branch has transferred its rights to receive cash flows from a financial asset or has entered into a ‘pass-through’ arrangement, and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Branch’s continuing involvement in the financial asset.

Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Branch could be required to pay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statements of assets and liabilities if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented on a gross basis in the statements of assets and liabilities.

Impairment of Financial Assets
The Branch assesses at each reporting date whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Assets Carried at Amortized Cost. For financial assets carried at amortized cost such as loans and receivables, the Branch first assesses whether an impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Branch includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The impairment loss for the year is recognized in profit or loss. If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Other Current Assets
Other current assets which consist of learning materials and classroom supplies for distribution to CLCs are valued at the lower of cost and net realizable value (NRV). NRV of books and school supplies pertains to the current replacement cost. Cost, which includes all cost attributable to acquisition, is determined using the first-in, first- out method.

Property and Equipment
Items of property and equipment are initially measured at cost. After initial recognition, all items of property and equipment are measured at cost less accumulated depreciation, and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Branch, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statements of income and expenses as incurred.

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value, if any. Depreciation is recognized in the statements of income and expenses on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, or the remaining term of the ADM Project, whichever is shorter.
The estimated useful life of each item of property and equipment is as follows:

	Number of Years
Office furniture and equipment	3 - 5
Transportation equipment	5

If there is an indication that there has been a significant change in the depreciation method, useful life or residual value of an asset, the depreciation of that asset is reviewed and adjusted prospectively if appropriate.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized on a net basis in the statements of income and expenses.

Impairment of Non-financial Assets
The carrying amounts of the Branch’s nonfinancial assets such as property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets’ recoverable amount is estimated.

An impairment loss is recognized in the statements of income and expenses whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. The recoverable amount of a non-financial asset is the greater of the asset's fair value less costs to sell and its value in use.

The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. Value in use is the present value of the estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of the useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in the statements of income and expenses.

Recognition of Grants
Grants received from Commonwealth of Australia, as represented by the Department of Foreign Affairs and Trade (DFAT), formerly AusAID,are initially recognized as deferred income and are then recognized as income to the extent of the expenses incurred for the year as set in the conditions associated with the grant. Assets acquired thru the grant are also recognized as deferred income and are recognized as income on a systematic basis over the useful life of the asset or duration of the ADM Project whichever is shorter.

Interest Income
Interest income, presented net of applicable tax withheld by the banks, is recognized when earned.

Expense Recognition
Costs and expenses are recognized upon receipt of goods, utilization of services or at the date these are incurred.

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

Operating Lease
Leases which do not transfer to the Branch substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statements of receipts and expenses on a straight-line basis over the lease term unless other systematic basis is more representative of the time pattern of the Branch's benefit.

Foreign Currency Transactions
Transactions denominated in foreign currencies are recorded using the applicable exchange rate in Philippine peso using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated in Philippine peso using the exchange rate prevailing at the reporting date.

Exchange rate differences arising from the settlement of monetary items at rates different from those at which they were initially recorded and translated at reporting date are recognized in the statements of receipts and expenses in the year in which they arise.

Provisions
Provisions are recognized when the Branch has a legal or constructive obligation as a result of a past events, it is probable that an outflow of economic benefits will be required to settle the obligation and reliable estimate of the amount can be made.

Contingencies
Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events that provide additional information about the Branch's statements of assets and liabilities at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

New or Revised Standards, Amendments to Standards and Interpretations
Adopted as of January 1, 2016
A number of new or revised standard, amendments to standards and interpretation are effective as of January 1, 2016 and are required to be adopted by the Branch. While these have been adopted as of January 1, 2016, none of these have a significant impact on the Branch's financial statements.

To be Adopted in the Future
A number of new or revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016. These will be adopted by the Branch as these become effective. None of these are expected to have a significant impact on the Branch's financial statements.

4. Financial Risk Management

Objectives and Policies
The Branch has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Branch's exposure to each of the above risks, the Branch's objectives, policies and processes for measuring and managing such risks, and the Branch's management of capital. Further quantitative disclosures are included throughout the notes to the financial statements.

The main purpose of the Branch's dealings in financial instruments is to fund its operations and capital expenditures.

The Governing Body of the Head Office of the Branch has overall responsibility for the establishment and oversight of the Branch's risk management framework. The Governing Body has established the Audit Committee, which is responsible for developing and monitoring the Branch's risk management policies.

The Audit committee identifies all issues affecting the operations of the Branch and reports regularly to the Governing Body on its activities. The Branch's risk management policies are established to identify and analyze the risks faced by the Branch, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Branch's activities.

Mitigating strategies and procedures are devised to address the risks that inevitably occur so as not to affect the Branch's operations and impact forecasted results.

The Branch, through its training on and management of standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Country Representative performs oversight over financial management functions, specifically in the areas of managing credit, market and other risks of the Branch. The Country Representative directly interfaces with the internal audit function, which undertakes reviews of risk management controls and procedures and ensures the integrity of internal control activities which affect the financial management system of the Branch.

Credit Risk
The results of procedures performed by the Country Representative are reported to the Audit Committee. The Country Representative reviews and institutes policies for managing each of the risks and they are summarized below.

The maximum exposure to credit risk for the Branch's financial assets as at December 31 is presented below:

	Note	**2016**	2015
Cash in banks	*5*	**$5,085,922**	$6,624,875
Refundable deposits	*13*	**7,144**	7,968
		$5,093,066	$6,632,843

Below is the classification of the Branch's financial assets that are neither past-due nor impaired:

2016	**High Grade**	**Standard Grade**	**Total**
Cash in banks	**$5,085,922**	**$ -**	**$5,085,922**
Refundable deposits	**7,144**	**-**	**7,144**
	$5,093,066	**$ -**	**$5,093,066**

2015	High Grade	Standard Grade	Total
Cash in banks	$6,624,875	$ -	$6,624,875
Refundable deposits	7,968	-	7,968
	$6,632,843	$ -	$6,632,843

High grade quality financial assets are those assessed as having minimal credit risk since these were assessed as having no instances of payment default. Standard grade refer to accounts of satisfactory financial capability and credit standing but with some element of risks where certain measure of control is necessary in order to mitigate risk of default.

The credit qualities of financial assets were determined as follows:

- Cash in banks is considered high grade as these pertains to deposits in reputable banks.
- Refundable deposits are considered high grade as these pertain to deposits that are covered by the lease agreements. Having minimal credit risk since these were assessed as having no instances of payment default.

The Branch's policy is to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Branch's credit risk is concentrated on its cash in banks for the years ended December 31, 2016 and 2015. The Branch's management performs an assessment of its external environment, including the related risks and limitations, and selects the Branch's depository banks based on factors such as reputation in the market place, and compliance with regulations, among others.

Liquidity Risk
Liquidity risk pertains to the risk that the Branch will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Branch's objectives to manage its liquidity risk are as follows: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed at the least possible cost.

The table below summarizes the maturity profile of the Branch's financial assets and liabilities based on contractual undiscounted payments used for liquidity management:

	As at December 31, 2016			
	Carrying Amount	**Contractual Cash Flow**	**1 Year or Less**	**1 Year - 5 Years**
Financial Liabilities*				
Accounts payable and accrued expenses	**$138,750**	**$138,750**	**$138,750**	**$ -**

**Excluding statutory payables.*

	As at December 31, 2015			
	Carrying Amount	Contractual Cash Flow	1 Year or Less	1- 5 Years
Financial Liabilities*				
Accounts payable and accrued expenses	$133,534	$133,534	$133,534	$ -

**Excluding statutory payables.*

Market Risk
Market risk is the risk that changes in foreign exchange rates which affect the Branch's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.
Foreign Currency Risk
The Branch is exposed to foreign currency risk on monetary asset and liability held in currencies other than the Philippine peso, the Branch ensures that its exposure is kept to an acceptable level by maintaining regular savings deposits in U.S. dollar and Australian dollar, and buying foreign currencies at spot rates where necessary to address short-term imbalances.

The Branch's foreign currency-denominated assets and liabilities as at December 31 are as follows:

Current 2016	Current Assets	Liabilities	Net Foreign Currency Exposure
Currency			
USD	**3,090,813**	**73,318**	**3,017,495**

2015	Current Assets	Current Liabilities	Net Foreign Currency Exposure
Currency			
USD	238,797	(109,026)	129,771
AUD	140	-	140

The Branch recognized foreign exchange gains of $156,036 and $32,726 in 2016 and 2015, respectively.

Sensitivity Analysis
A 6% strengthening of the Philippine peso against USD as at December 31, 2016 would have increased foreign exchange gains by $170,251. A 5% strengthening of the Philippine peso against USD and AUD as at December 31, 2015 would have increased foreign exchange gains by $6,769

A weakening of the Philippine peso against the USD and AUD by the same percentage as above as at December 31, 2016 and 2015 would have had equal but opposite effect on the basis that all other variables remain constant.

Percentage of the analysis is based on the change in Philippine peso against USD exchange rate used during the year and previous year.

Fair Values
The carrying value of cash approximates its fair value, since it can be readily withdrawn and used for operations at any time. The fair value of the refundable deposits approximates its carrying amount since it can be reasonably be collected on their due dates.

5. Cash

This account consists of:

	Note	**2016**	2015
Cash on hand		**$3,044**	$3,331
Cash in banks	*4*	**5,085,922**	6,624,875
		$5,088,966	$6,628,206

Cash in banks earns annual interest at the respective bank deposit rates.

Interest income earned from cash in banks in 2016 and 2015 amounted to $1,741 and $1,732, respectively.

6. Other Current Assets

This account consists of:

	2016	2015
Advances to non-government organizations (NGO) partners and Branch employees	**$53,253**	$52,056
Other assets	**1,291**	6,369
	$54,544	$58,425

Advances to NGO partners and Branch employees represent advances given by the Branch which exceeded amounts liquidated as of December 31, 2016. These are expected to be applied against expenses for the next quarter.

Other assets consist of learning materials and classroom supplies which are for distribution to CLCs.

7. Property and Equipment

The movements and balances of this account are as follows:

	Office Furniture and Equipment	**Transportation Equipment**	**Total**
Cost			
December 31, 2014	$107,275	$225,806	$333,081
Adjustment*	(5,806)	(12,221)	(18,027)
Additions	3,047	-	3,047
December 31, 2015	104,516	213,585	318,101
Adjustment*	(5,539)	(11,320)	(16,859)
December 31, 2016	**98,977**	**202,265**	**301,242**
Accumulated Depreciation			
December 31, 2014	32,848	91,140	123,988
Adjustment*	(1,777)	(4,933)	(6,710)
Depreciation	16,441	42,717	59,158
December 31, 2015	**47,512**	**128,924**	**176,436**
Adjustment*	(2,518)	(6,833)	(9,351)
Depreciation	15,624	40,453	56,077
December 31, 2016	**60,618**	**162,544**	**223,162**
Carrying Amount			
December 31, 2015	$57,004	$84,661	$141,665
December 31, 2016	**$38,359**	**$39,721**	**$78,080**

*Adjustment to translate beginning balance at closing rate as of December 31, 2016

8. Accounts Payable and Accrued Expenses

This account consists of:

	Note	**2016**	2015
Payroll-related payable		**$53,743**	$18,288
Payable to Stichting BRAC International	*12*	**48,310**	48,670
Payable to BRAC Bangladesh	*12*	**25,008**	63,142
Accrued expenses		**7,483**	5,865
Payable to NGO partners		**6,452**	148
Withholding tax payable		**1,917**	1,334
		$142,913	$137,447

Payables to BRAC Bangladesh and Stichting BRAC International pertain to reimbursements for expenses incurred in providing management and technical support to the Branch.

Payable to NGO partners pertain to the excess of the costs incurred for projects over the fund provided by the Branch

9. Grant Agreement

A Grant Agreement between the Commonwealth of Australia, as represented by then AusAID and Stichting BRAC International, Inc. was executed on February 3, 2012 covering the ADM project for the BEAM-ARMM. This Grant Agreement was effective until June 30, 2015.

In accordance with the provisions of the Grant Agreement, the Branch received from AusAID a grant of AUD30,500,000 for the management and implementation of the ADM project which was given in four (4) tranches as follows:

- the first tranche amounting to AUD7,000,000 was given within thirty (30) days from the date of the agreement;
- the second tranche amounting to AUD7,700,000 was given in August 2012;
- the third tranche amounting to AUD9,000,000 was given in August 2013; and
- the fourth and final tranche amounting to AUD6,800,000 was given in August 2014.

The schedule of tranches is subject to the terms and conditions as stipulated in the Grant Agreement.

In March 2015, the Amendment of the Grant Agreement ("Amendment") was executed by DFAT which extended the period covered by the Grant Agreement until June 30, 2017. As part of the Amendment, additional two (2) tranches were included amounting to AUD6,105,866 for each tranche. The first tranche was given in September 2015 and the remaining tranche will be given on August 2016. As a result of the Amendment, the new total amount of the grant is AUD42,711,732 from the previous amount of AUD30,500,000. Another amendment on 29 December 2015 was done resulting to the reduction of the remaining trance which was received on September 2016 amounting to AUD 5,379,880. As a result of the amendment the total of the grants received was AUD 41,985,746 from the previous amount of AUD 42,711,732.

In March 2017, the Branch was able to obtain a one (1) year extension
(until June 2018) for the Grant Agreement subject to the following conditions:

- the operational budget for the additional year will be taken from the unspent funds.
- the remaining unspent funds will be returned by the Branch to DFAT.
- the extension will focus on ensuring the transition of the children to DepEd managed schools.
- monitoring and supervision of the learning centers will be done jointly by the Branch and DepEd.

As of December 31, 2016 and 2015, grant received by the Branch from DFAT/AusAID which has not yet been utilized in the implementation of the ADM Project amounts to $5,085,821 and $6,698,817, respectively.

10. Project Expenses

Project expenses per cost component as at December 31, 2015 and 2014, respectively, are presented below:

Description	**2016**	2015
Component 1: Curriculum, Materials and Assessment Development	**$ -**	$28,946
Component 2: Community Learning Center Operations	**3,484,938**	5,189,516
Component 3: Capacity Building	**40,547**	59,419
Component 4: Project Management, Monitoring and Evaluation	**819,038**	824,182
	$4,344,523	$6,102,063

The Branch entered into various agreements with local NGOs. As provided under the terms of these agreements, the NGOs will manage the operation of the CLCs in their designated provinces in ARMM. As at December 31, 2016, the Branch, together with its 15 duly recognized local NGOs, implemented and managed the ADM Project for 730 CLCs (845 CLCs as at December 31, 2015).

The Branch disburses funds to its local partner NGOs on a quarterly basis for the management and operations of the CLCs in their designated areas and provinces. The partner NGOs will liquidate the funds received for the expenses incurred in accordance with the agreement.

As at December 31, 2016 and 2015, the disbursed funds to local partner NGOs which are not yet liquidated are as follows:

Description	**2016**	2015
Community and Family Services International	**$19,277**	$11,717
Maranao People Development Center, Inc.	**7,024**	5,620
Notre Dame University	**4,307**	3,098
Kapagawida Development Services Association, Inc.	**2,789**	4,161
Integrated Resource Development for Tri-People	**2,680**	2,059
Integrated Learning for Moslems and Highlanders Foundations	**2,260**	2,492
Nagdilaab Foundation Inc.	**2,097**	697
Sug Educators Forum Incorporated	**1,943**	2,933
Kalimudan Sa Ranao Foundation, Inc.	**1,885**	5,305
Mindanao Autonomous College Foundation Inc.	**1,262**	1,868
Concerned Alliance of Professional and Students Inc.	**1,161**	1,347
Tapukan Farmers Multipurpose Cooperative	**1,026**	1,797
Muslim Upliftment Foundation of Tawi-Tawi, Inc.	**890**	2,043
Mahardika Institute of Technology, Inc.	**826**	453
Social Services for Grassroots Community Development, Inc.	**482**	-
	$49,909	$45,590

Other project expenses during the year include:

	2016	2015
Service charge overhead costs	**$176,181**	$197,231
Innovation	**144,790**	360
Provincial office administrative expenses	**64,058**	67,410
Insurance	**3,121**	4,404
	$388,150	$269,405

Service charge overhead costs are general and administrative expenses incurred by the Partner NGOs.

Innovation cost refers mainly to the cost of accounting software which were charged by the Head Office.

11. General and Administrative Expenses

This account consists of:

	Note	**2016**	2015
Technical support	*12*	**$815,986**	$566,397
Security measurement management		**18,249**	18,844
Outside services		**12,814**	23,517
Transportation and travel		**6,648**	3,780
Utilities		**2,058**	5,855
Support services		**602**	995
Training		**-**	350
Others		**6,016**	12,699
		$862,373	$632,437

12. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

In the implementation of the ADM project, the Branch has transactions with its related parties as at December 31, 2016 and 2015 as follows:

a. Technical support pertains to reimbursements to BRAC Bangladesh and the Head Office for expenses it paid for in providing administration and financial management assistance to the Branch. It also entails sending support personnel to the Branch for the efficient and effective management and implementation of the ADM Project in accordance with the provisions of the Grant Agreement.

Related Party/Transaction	Ref	Year	Amount of the Transaction	Outstanding Balance Due to Related Parties	Terms and Conditions
Head office					
•Technical support	12a	**2016**	**$794,291**	**$48,310**	**30 days; non-**
		2015	351,523	48,670	**interest bearing; unsecured**
BRAC Bangladesh					
•Technical support	12a	**2016**	**156,292**	**25,008**	**30 days; non-**
		2015	233,224	63,142	**interest bearing; unsecured**
		2016		**$73,318**	
		2015		$111,812	

b. Compensation and other short-term benefits of key management personnel amounted to $157,042 and $181,223 as at December 31, 2016 and 2015, respectively.

The Branch has no receivable from related parties as at December 31, 2016 and 2015.

13. Lease Commitments

On March 5, 2012, the Branch entered into a lease agreement for a parcel of land located at No. 1 R. Mañara Street, Rosary Heights 10, Cotabato City with two (2) residential buildings, two (2) stories with an annex one room office and a guard house, with concrete perimeter fence. The lease was renewed for a fixed period of three (3) years beginning March 1, 2015 to February 28, 2018, renewable thereafter upon mutual agreement of both parties.

The Branch also entered into other lease agreements as follows: a) one (1) year renewable lease contract commencing in June 2012 for a two-story apartment at Celdran Village, Iligan City. The lease was renewed on August 1, 2015, for another two (2) years. The lease was terminated on December 31, 2016; b) two (2) years renewable lease expiring in 2015 for the Branch's two (2) new office premises in Upi Maguindanao and Zamboanga City. Lease contracts expiring in 2015 were renewed for another two (2) years; c) one (1) year renewable lease expiring in 2016 for the Branch's office premise in Davao City. The lease was renewed on August 26, 2016, for another one (1) year; and d) six (6) months lease contract commencing in December 15, 2016 for a residential apartment at Tubod, Iligan City. All these lease agreements require a refundable deposit.

Refundable deposits as at December 31, 2016 and 2015 amounted to $7,144 and $7,968, respectively.

The future rental payables for these lease agreements are as follows:

	2016	2015
Within one year	**$29,139**	$41,459
After one year but not more than five years	**3,212**	31,023
	$32,351	$72,482

Rent expense amounted to $220,129 and $148,142 in 2016 and 2015, respectively.

14. Staff Costs

	Salaries and Employee Benefits	Learning Facilitators Allowances	Partner NGOs Employee Benefits
Basic salary			
2016	**$380,883**	**$1,333,640**	**$465,224**
2015	382,330	1,510,056	521,987
13th month pay/Bonus			
2016	**17,580**	**111,890**	**35,414**
2015	19,121	159,199	54,995
SSS/Philhealth/Pag-ibig /Provident Fund/Gratuity			
2016	**39,663**	**78,533**	**44,802**
2015	41,935	80,164	43,380
Total 2016	**$438,126**	**$1,524,063**	**$545,440**
Total 2015	$443,386	$1,749,419	$620,362

15. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the notes to financial statements which were prepared in accordance with PFRS. The following is the tax information required by Revenue Regulations No. 15-2010 for the taxable year ended December 31, 2016:

The Branch reported and/or paid the following types of taxes in 2016:

A. Withholding Taxes

Tax on compensation and benefits	**$15,967**
Final withholding taxes	**11,630**
	$27,597

B. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under Project Expenses	
Licenses and permits	**$448**

SUPPLEMENTARY INFORMATION TO THE
NOTES TO FINANCIAL STATEMENTS
(WITH AMOUNTS TRANSLATED TO U.S. DOLLARS USING
CLOSING RATE AT REPORTING DATE) (contd.)

C. Deficiency Tax Assessments

As at December 31, 2016, the Branch has no deficiency tax assessment.

D. Tax Cases

As at December 31, 2016, the Branch has no pending tax court cases nor has received tax assessment notices from the BIR.

The Branch is a non-VAT registered entity not engaged in the sale of goods or service. All of its receipts, excluding interest income from banks, come from grants which were not charged with output VAT. The input tax incurred in all of its costs and expenses were charged to operations.

Information on the amount of custom duties and tariff fees, excise taxes and documentary stamp taxes paid or accrued are not applicable since the Branch did not enter into transactions that resulted in payment or accrual of such taxes.

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BRAC Communications/BRAC International/AR16/July 17

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